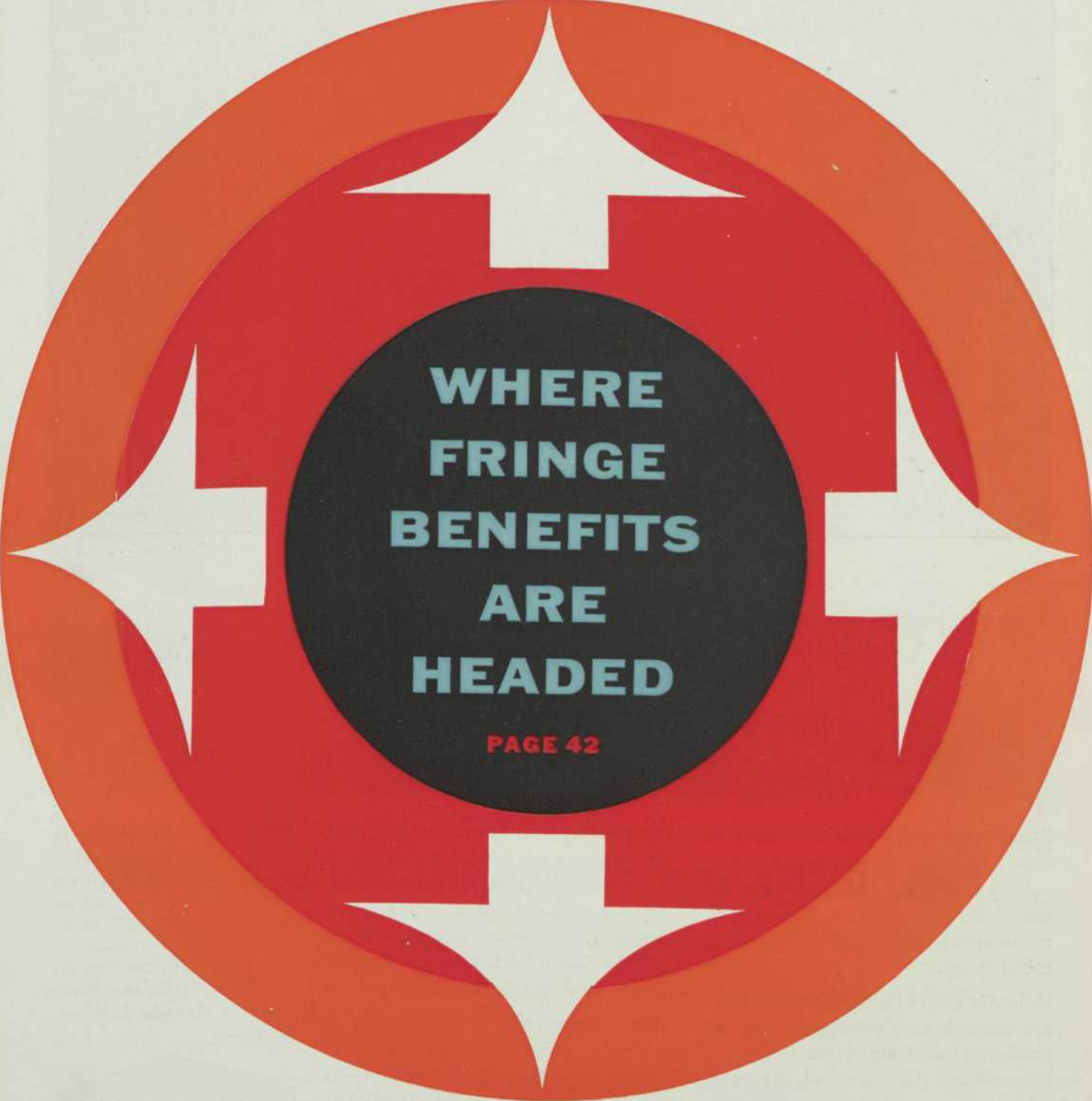


Nation's Business

A USEFUL LOOK AHEAD

NOVEMBER 1957



**WHERE
FRINGE
BENEFITS
ARE
HEADED**

PAGE 42

Know yourself, understand others: a test **PAGE 32**

Every sale can pay its way **PAGE 58**

Job analysis saves managers' time **PAGE 70**



For rewarding entertainment, see "OMNIBUS"... NBC-TV.

Apart, they're liquid... together, they're solid

*...helping make parts for your car,
your television set, and even your tableware*

THESE TWO LIQUIDS flow as freely as water. Yet when poured together they quickly turn into a solid—without the use of heat or pressure. Harder than many metals, the resulting plastic is called epoxy.

Delicate parts for television, radio, and other electronic equipment are embedded in epoxies to protect them from moisture and vibration. And, in durable tableware, epoxy adhesives seal knife blades in their handles with a strong, permanent bond.

Epoxies are so hard that they are used to make the huge dies that stamp out automobile trunk lids and hoods, airplane wing sections and other varied shapes. These dies are molded in about half the time it takes to shape all-metal dies... and, at substantial savings.

Many industries are now looking to epoxies to make better things for you. Developing and producing epoxies—as well as such plastics as vinyl and polyethylene—is only one of the many important jobs of the people of Union Carbide.

FREE: Learn how research at Union Carbide helps improve many of the products you use every day. Write for "Products and Processes" booklet G. Union Carbide Corporation, 30 East 42nd Street, New York 17, New York. In Canada, Union Carbide Canada Limited, Toronto.



UCC's Trade-marked Products include

BAKELITE, VINYLITE, and KRENE Plastics PYROFAX Gas NATIONAL Carbons UNION Calcium Carbide UNION CARBIDE Silicones
SYNTHETIC ORGANIC CHEMICALS LINDE Oxygen PRESTONE Anti-Freeze HAYNES STELLITE Alloys Dynel Textile Fibers
CRAG Agricultural Chemicals PREST-O-LITE Acetylene EVEREADY Flashlights and Batteries ELECTROMET Alloys and Metals

RECORD OF SALES



One telephone call to Indianapolis lands a \$1500 order!

Braceland Bros., Inc., a Philadelphia printer, keeps a record of regular telephone calls to out-of-town customers, noting how much each call costs and the amount of sales it produces.

The record shows that out-of-town calls costing \$65 produced orders totaling \$7851. One call to Indianapolis, for example, resulted in a \$1500 order.

Every dollar spent on telephone calls returned \$120 in sales... a sales cost of less than one per cent.

We'd like to show you how little it costs—and how much it pays—to sell by telephone. Just call your Bell Telephone business office.

LONG DISTANCE RATES ARE LOW

Daytime Station-to-Station Calls

For example:	First 3 Minutes	Each Added Minute
St. Louis to Des Moines	95¢	25¢
Philadelphia to Indianapolis	\$1 ³⁵	35¢
Milwaukee to Newark	\$1 ⁵⁰	40¢
San Francisco to Detroit	\$2 ³⁵	60¢

Add 10% Federal Excise Tax

BELL TELEPHONE SYSTEM

Call by Number. It's Twice as Fast.



Nation's Business

November 1957 Vol. 45 No. 11

Published by the Chamber of Commerce of the United States
Washington, D.C.

7 Management's Washington letter

Washington thinking on business outlook, taxes, spending; indicators that could signal change in tight money policy

10 Letters from businessmen

Philadelphian makes a point about courage; two businessmen take opposite views; executive problems are amplified

14 WATCH THIS ISSUE: Merger decision coming

Business will be vitally affected by federal court ruling on legality of corporate union of Bethlehem and Youngstown

21 TRENDS: The state of the nation

Russia's Sputnik challenges humanity to solve its political differences or face a future of grim and terrifying risk

25 TRENDS: Washington mood

Loss of much popularity has its effect on Mr. Eisenhower. This candid report shows how the President is taking it

29 New alliances will shape labor's future

Business faces new problems as Meany, Reuther, Hoffa, Lewis struggle for control while Congress studies new laws

32 Test your own assumptions

Are you a realist? An idealist? It's important to executive performance to know. This test will help you find out

34 Know yourself, understand others

The value of knowing your personal business philosophy is explained here. You'll find the test and discussion useful

36 Wage demands feed inflation

This analysis shows why ceaseless pressures for wage increases are economic danger; suggests business action

38 Expanding markets: the oldsters

Over-65 group is growing rapidly. This information on what they'll spend their money for, and where, can help you plan

40 You can cancel most meetings

Some decisions can better be made by individuals than by groups. These tips help you decide which course is best

42 Where fringe benefits are headed

Here's how the built-in features expand benefit plans four ways and can prove costlier than negotiated improvements

44 HOW'S BUSINESS? Today's outlook

Livestock price may drop; builders plan increase in new housing; ripples in the economy; retail sales set record

58 Every sale can pay its way

More price-conscious businesses are using this marketing tool to get a better look at costs, and to pinpoint losses

70 Job analysis saves managers' time

An intensive study of the way marketing executives budget their workday yields time-saving ideas for all executives

80 Why companies grow

New study reveals luck as one of five characteristics of successful growth. The other four come under your control

88 Why water will cost you more

Business, people and cyclic weather play the major roles in a growing water crisis. But something can be done now

94 Politics pushes social security tax boost

Employers, employees and self-employed all will pay more if Congress passes these vote-getting increases in benefits

108 EXECUTIVE TRENDS: Biggest future problem

Read what this management trends expert thinks it will be and how you can meet it; what you can learn from overseas

110 Is management training worth it?

Businessmen find most problems common to companies of all sizes, tell how study helps companies and individuals grow

122 Paternalism points in new direction

Once started, welfare state programs are difficult to stop. This is proved again by proposals to amend social security

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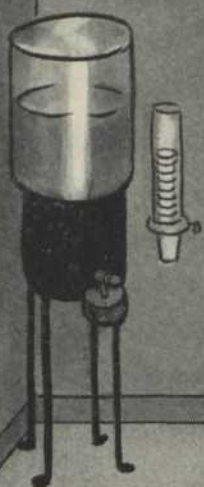
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"But nobody dies on purpose, Cal!"



Cal: It couldn't be worse if you'd planned it that way.

Dan: But I left my business to the family.
What happened?

Cal: Estate taxes, Dan. Inheritance taxes.

Dan: I don't understand. What about my credit?

Cal: A-1, Dan. But—ahem—you're gone.

Dan: Oh. You mean, the bank wouldn't —?

Cal: No, they wouldn't. I had to sell the business.

Dan: Oh.

Cal: I told you to consult your attorney.
Your banker, too.

Dan: I remember. Business insurance.

Cal: Business insurance by Equitable.

Dan: I know, I know.

Cal: Just as important as planning production quotas.

Dan: Enough, Cal. You'll do your best?

Cal: You know I will, Dan. But my best will be a
salvage operation.

Dan: If I had it to do over—



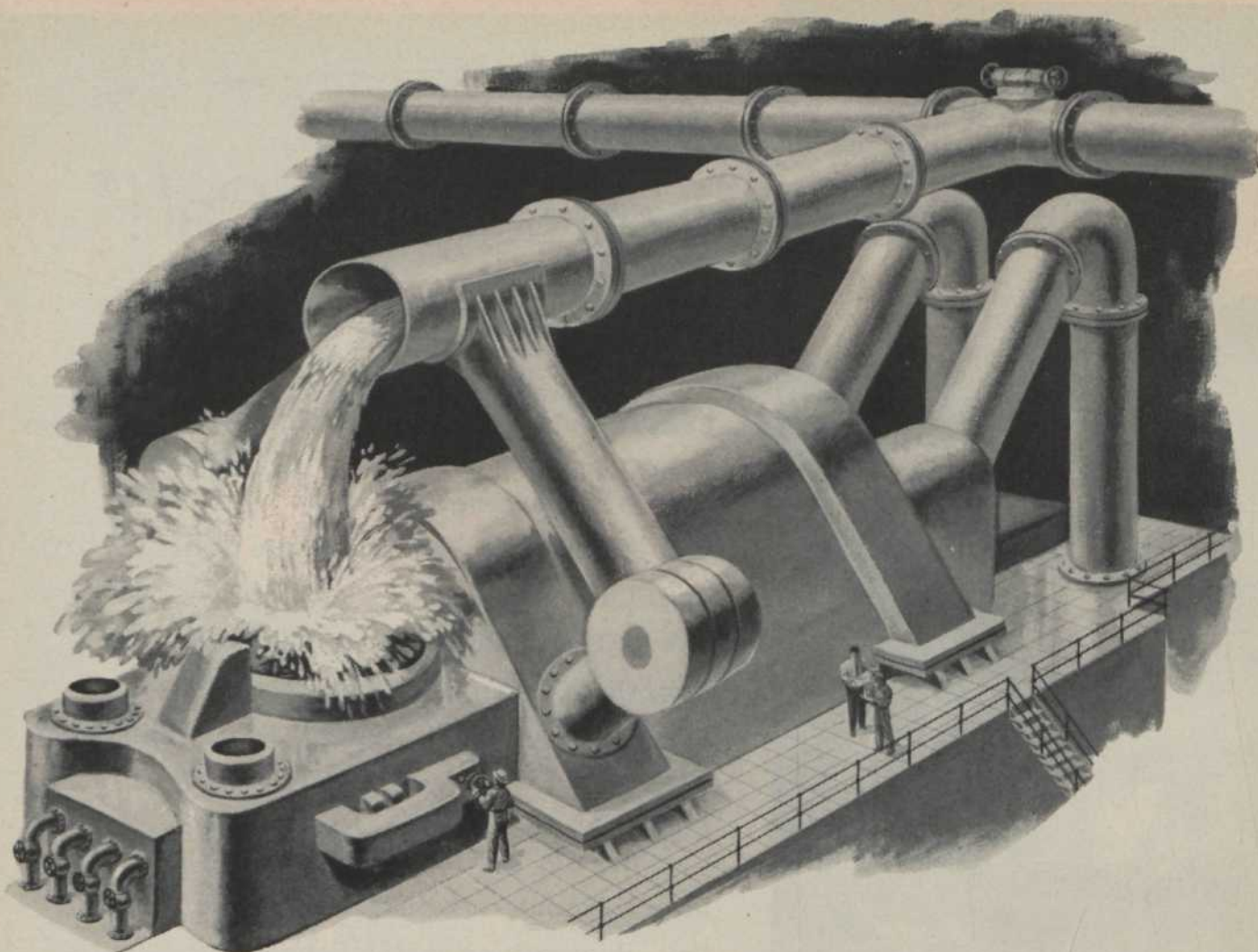
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And, like Oliver Twist, industry constantly calls for "More."

18 barrels of water to make one of oil. 365,000 gallons

to produce a ton of rayon. 250 tons for one of wood pulp.

And every ton of coal we burn for steam and power requires another 600 to a thousand tons of water!

Not hard to understand why water officials are worried about our supply. Here's what *you* can do to protect it.

1. Encourage future water planning.
2. Support realistic water rates and water supply bond issues.
3. Conserve water where you can.

America is no longer rich... in water.



PROOF POSITIVE CAST IRON PIPE SAVES YOU TAX DOLLARS

Still in service this cast iron main laid in Utica, N. Y. in 1849 is still piping water. This is typical of many century old cast iron water and gas mains now serving throughout America.

Small wonder that where long life, dependability and economy are "musts," water officials prefer cast iron pipe... No. 1 Tax Saver!

CAST IRON PIPE

RESEARCH ASSOCIATION



SUITE 3440, PRUDENTIAL PLAZA, CHICAGO 1, ILL.

►HERE'S THINKING on business outlook through 1958.

From government economists:

Sales will rise a little.

Production will remain about level.

But profits will slip a little.

One high official sees fluctuations but no over-all downtrend.

From business economists:

About half look for sidewise movement to continue.

Others are almost evenly divided between those who expect some downturn, those who expect some increase.

►PROFITS HINGE ON STEPPED-UP sales effort.

New trend study shows:

To bring in each \$1 profit, sales will have to go up \$19.70.

Year ago the cash register had to ring up \$18.30 for each \$1 profit.

Study of manufacturing companies shows total sales going up, profits turning down.

Findings:

Sales of \$77 billion in one quarter year ago yielded \$4.2 billion profits after taxes.

Now \$80.9 billion sales yield \$4.1 billion profits after taxes.

►WATCH TWO INDICATORS FOR SIGNAL of tight money policy change.

They are:

Unemployment--Federal Reserve will act if number out of work reaches as much as 4 million.

Total now is 2.5 million.

Prices--Easing of 3 to 5 points on consumer price index will bring swift action.

Current index is about 121.

What are the prospects?

Key government economist believes:

Unemployment in the year ahead may rise, be spotty, but isn't likely to go up to 4 million.

Prices may drop 1 or 2 points in '58 but no severe drop is expected.

►NOW'S THE TIME GOVERNMENT PROGRAMS are being worked out for fiscal '59.

Agencies are working on details, planning budgets, pushing data on to higher officials for evaluation.

You'll get first official

announcements in President's messages to Congress in January.

Meanwhile, here's what Administration people are talking about in private:

Spending--Will total exceed \$72 billion in fiscal '59?

Many officials privately think it will, publicly hope not.

Taxes--Will Administration propose reductions or oppose them?

Budget surplus of \$1.5 billion is expected for next July 1.

Feeling is it'll take about \$4 billion to justify tax cut and there's little chance of that without further government economy.

Congressional economic committee, as anti-inflationary move, is expected to go along with no tax cut.

Business outlook--Will government programs be needed to step up nation's economy next year?

Feeling is strong that inflation is still the big problem although it's about over.

If economy slips next year, Administration will ask for tax reductions to boost consumer spending power.

►WILL RUSSIA'S SUCCESS with missiles, earth satellites, significantly affect our defense spending?

Not total amount, not right away.

That's analysis of insiders consulted by NATION'S BUSINESS.

They see reshuffling of funds voted for defense, no crash-program spending. Reshuffling already has begun.

Future procurement, research are involved. Some firms doing defense business will get hurt, others won't.

Coming months will see:

Review of rocket program, research--with possibility that money will be diverted from other areas to further this work.

Also coming:

Congressional inquiries into technology, pressure to unify missile effort, bring testing under single supervision.

Missile spending planned for fiscal 1958: About \$2.9 billion.

►NATIONAL DEFENSE NEEDN'T BE HURT as much as military manpower reductions would seem to indicate.

High defense official says:

Weeding out more low-aptitude people will help us.

Look at these facts:

Pentagon 5-year survey of inductee general aptitude tests shows two thirds make grade of 0 to 65.

Top possible grade is 100.

Study shows:

8.2 per cent make 93 to 100.

24.8 per cent make 65 to 92.

33.1 per cent make 31 to 64.

29.6 per cent make 10 to 30.

Rest make 9 or below, aren't accepted for military service.

Note this trend:

So far this year number of inductees in lowest acceptable mental group has jumped to 34.2 per cent.

Most recent month's total shows 39.5 per cent in that category.

Volunteers are smarter. Only 16.8 per cent score lowest aptitudes.

►MANY LOW-APTITUDE PERSONNEL end up in the guardhouse.

Survey finding:

Of all Army enlisted men serving in detention barracks of federal prisons, 53.9 per cent are classified in lowest acceptable mental group.

►MILLIONS OF TAX DOLLARS are wasted on training low-aptitude personnel.

Example:

Of 8,600 administrative separations from service during 6 months, 5,200 are in lowest aptitude group.

Army estimates that each of these persons cost taxpayers about \$1,600 during enlistment.

Total is more than \$8.3 million.

Yet none has given any useful service to Army.

►YOU CAN COUNT ON ANOTHER reappraisal of foreign aid in Congress next year.

For one thing:

Congress will want to know why more persons are needed to administer smaller program.

In 1953, 7,148 employes handled \$1.8 billion program (excluding military aid).

Now 9,164 employes have \$1.5 billion to spend.

►DON'T COUNT ON EARLY REVISION of

Internal Revenue depreciation tables now under study.

Tax Commissioner Russell C. Harrington told NATION'S BUSINESS:

Schedules for depreciating business assets won't be changed for at least another year.

Schedules were set in 1942.

Main complaint about tables:

Property life, based on data of 1930's, is usually set too long, permits too small deductions in many cases.

Another complaint:

Many new types of equipment aren't listed in depreciation schedules.

►THERE'S GOOD CHANCE RULES governing tax case appeals will be changed.

Tax lawyers, businessmen complain about lack of uniformity in determinations by 64 district directors under tax agency's decentralized system.

Taxpayer now has to pay tax or go to court if district director rules against him.

There's exception for decisions on pension and profit sharing plans.

These can be appealed to Washington office for ruling if taxpayer can show conflicting interpretations.

Internal Revenue is studying appeal plan to see if it should be broadened.

Decision will be made in early '58.

►WATCH GOVERNORS' CONFERENCE in Hot Springs, Ark., next month.

They'll discuss: Federal programs considered states' responsibilities.

Meeting could be key to major changes in government policies--both state and federal.

Task force will have ready by that time more recommendations for giving programs back to states.

Triggered by President's speech at summer meeting, group is trying to get initial report ready in time for presidential messages to Congress in January.

Governors will be informed of progress in time to include recommendations in their messages to legislatures.

Federal officials think governors will go along with most recommendations.

Joint committee of federal representatives and governors will meet again this month to discuss proposals.

►NEW PRESSURE FOR DIRECT CONTROL of consumer credit is building up in Washington.

It'll be felt in next session of Congress.

Why?

Effort will be made to fix blame for inflation on installment buying.

One senator already is planning proposal for re-enactment of wartime-type controls on consumer purchasing.

►IS CREEPING INFLATION BEING CAUSED by consumer credit?

No, says credit specialist.

He points out:

In 1955--year of biggest expansion--total installment credit outstanding rose average of \$454 million a month.

This year it's going up at monthly average of \$132 million.

Consumer prices in 1955 rose .03 per cent per month, are rising now at .32 per cent per month.

Current total consumer credit outstanding: \$42.9 billion.

Figure is \$2.9 billion higher than year ago at this time.

Year's growth in 1955:
\$6.4 billion.

►NEW ANALYSIS OF UNION CONTRACTS will be ready soon.

Reports will show provisions for:

Hours of work, paid vacations and holidays, shift pay differentials, premium pay for week-end work, and health and welfare plans.

Studies--by contract analysis branch, Bureau of Labor Statistics--will analyze 1,850 labor-management contracts covering 1,000 or more employees.

That includes about half of all employees under union contract.

Sample finding:

First study will show that many employees working on schedules of less than 40 hours a week don't get time and a half overtime pay until they've worked 40 hours.

It will be ready by year's end.

Others will follow early in 1958.

►IS A NEW INFLATION SPIRAL in the making?

Outlook's discussed on page 36.

In addition:

"Mechanics of Inflation" is new booklet by Economic Research Dep't., U. S. Chamber of Commerce, Washington, D. C., for \$1 per copy.

►BUSINESS HEADACHES COME from many sources, some unexpected.

Major insurance firm learned this recently when it changed one word in its name.

New name on every policy form had to be reprinted, submitted individually to insurance commissioners of each state.

More than 900 different forms, policies, jackets, envelopes, riders, labels, business cards had to be changed.

►SMARTER PRODUCT DISPLAY can boost your sales volume.

Look at packaging.

Many companies are raising their own volume by providing a method of increasing their customers' sales.

Example:

Hosiery makers find that putting stockings in clear plastic wrappers is big sales stimulant.

Wrapper contains 3 stockings.

Customer is told:

This doubles the life of each pair--there's an extra when one gets a run.

But note this:

Each sale boosts volume 50 per cent.

►TOMORROW WILL BRING new concepts of speed, time, distance.

While average person breathes in once, out once:

Jet airliner will travel about half a mile.

First mail delivered by guided missile will go about 4½ miles while person breathes one time.

Earth satellite goes about 16 miles during one breath.

For comparison:

Mile-a-minute auto goes about 100 yards during same period.

Average employee en route to coffee bar, breathing naturally, travels about 10 feet during one breath.

In new jet airliner (coming in 1959) you can expect average reader to travel about 42 miles while reading Management's Washington Letter.



CASH

save it with a new color-styled
Smith-Corona adding machine

Want bigger profits, better management, more efficient operation? Get a Smith-Corona . . . lowest-priced, full-featured adding machine in America! Nowhere else do you get so much adding machine for so little money. Low cost, speedy operation, accurate records, years of trouble-free use. Practically priced from as low as **\$99⁵⁰***

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Letters from businessmen

Useful to him . . .

In our line of business we place a high value on the letters we receive from the policyowners of the company who tell us of their satisfaction with our company's service—Planned Estates. I have realized for some time that I should write to tell you how valuable NATION'S BUSINESS has been to us in many administrative problems.

Within the past month I received a letter from the vice president who has charge of our West Coast operation and he commented that he felt there was hardly an issue in which he didn't find an article which was of particular help to him. I know his opinion is shared by other officers of the company.

A vast quantity of reading material comes to my desk within a month and it is difficult to sift through all of it. But one magazine which I never fail to put in my brief case and read carefully is NATION'S BUSINESS.

I just thought you would be interested to know how helpful it has been to us and I did want to thank you for the time, thought and effort which must go into its production.

WILLIAM P. WORTHINGTON
President,
Home Life Insurance Company,
New York, N.Y.

. . . objects to policy

I want my subscription canceled. The well known policy of your magazine and the Chamber of Commerce of the United States against public power in general and the Tennessee Valley Authority in particular does not, of course, deserve the support of any daily newspaper published in the Tennessee Valley.

W. PERCY WILLIAMS
President,
The Paris Post-Intelligencer
Paris, Tenn.

Not the only ones

Noting your article in August 1957, "New Balance Promises Greater Prosperity," we farmers who have had our university training in economics and business management are convinced that your statement which indicates the farmer is overdependent on the government does not put him into a class by himself. We suggest you do a little

research on what happens to building when the government quits their guarantee of loans. Consider the tax write-off for certain corporations for capital outlay, and the relationship between the government and maritime shipping and air transport.

Among the things we would urge you to consider is the conservation for our future generations of the more productive agricultural lands and climate areas. This would appear to be necessary to feed that so-called "population explosion" which the nonagricultural interests are so confident will continue to absorb their production.

CHARLES S. BOYD
Lester & Lester
Santa Clara, Calif.

Biggest problems

With reference to your article in the September 1957 issue, "Top Managers' Three Biggest Problems" the first two problems seem to me to be two ways of looking at the same thing. The, 1, "lack of time" alleged is due to, 2, "difficulty in finding and training competent executives."

From my limited experience the cry of such difficulty which has been going on for some time is due largely to the executives who will not give authority.

A. A. HAIGHT
Secretary-Treasurer
Don M. Rounds Drilling Co., Inc.
Denver, Colorado

Your September article entitled "Top Managers' Three Biggest Problems" is an extraordinarily fine delineation of top management's problems with regard to the human side of business.

It appears to me as though the element of health is an exceedingly important factor insofar as top management is concerned, simply because the pressures facing executives certainly attest to a danger which confronts every successful firm in the nation.

ROBERT I. LANSBURGH
Executive Vice President
Select Imports, Inc.
Dallas

More than courage involved

Your English friend will be reassured to learn [State of the Nation, July] that Lou Brissie is not only a former big league pitcher but an ex-

How to be sure of swift shipping



What terrible torture Tom used to endure
'Cause his shipping was slow and deliveries unsure



Life's a big bed of roses now, sweet as a dream
Tom calls **RAILWAY EXPRESS** ... the dependable team!

The big difference is

Ask any businessman which carrier gives the most satisfactory service year in and year out. Chances are he'll say Railway Express. Reasons? Speed, dependability, over-all economy, vast coverage ... and one more—*teamwork*.

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sure





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SAVE TIME—get more work done!

Thanks to Executone's "Remote Reply," employees can now answer calls without interrupting their work. You get instant response without loss of working time. You eliminate waiting and costly "call backs" when phones are

busy. Roving employees are located quicker. You give instructions, get information without delay, yet you have "privacy protection" at all times. Work flows smoothly. Every hour becomes more productive! Executone soon pays for itself in many ways. Ask for full details. No obligation.



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World War II infantryman who survived 27 shrapnel wounds in one leg. His teaching baseball to young Australians will be merely secondary; the lesson of courage they will learn from this man will do much toward welding the English-speaking world closer together.

TOM SLOAN
 Philadelphia, Pa.

FELIX MORLEY REPLIED: "... I have nothing but admiration for Mr. Lou Brissie, personally, and am sure that his war record was both courageous and distinguished. I cannot see, however, that this is of itself any justification for sending him to Australia to conduct baseball clinics. The men who suffered at Valley Forge were also courageous Americans, but nobody then suggested that as a result of their sacrifice they should be sent on tour by the government to teach courage to other peoples. Frankly, I think the change in policy is unfortunate, which of course is not the slightest reflection on Mr. Brissie himself."

On expanding government

Our compliments, sir... for your very thorough and pointed report on the "Adverse Effects of Expanding Government" in your September issue.

MARVIN A. ELSON
 Pyro Plastics Corporation
 Union, New Jersey

Your piece on page 41 in your September issue on "Adverse Effects of Public Housing" is the best thing that has been done on the subject to date.

MORTON BODFISH
 Chairman of the Board and President
 First Federal Savings and Loan
 Association of Chicago
 Chicago, Ill.

The condensation of the special report on the adverse effects of expanding government which appeared in the September issue is superb. It should be read by every business executive, tax payer and office holder in the United States.

I. F. BETTS
 President
 The American National Bank
 Beaumont, Texas

Your September series on "The Adverse Effects of Expanding Government" is certainly one of the most comprehensive articles on the subject in the magazine field. We felt that the article, "Danger of Federal Electric Power," was one of the best statements of the issue we have come across.

ROBERT F. CONLIN
 Edison Electric Institute
 New York

► "Adverse Effects of Expanding Government" was a condensation of a report prepared by the Legislative Reference Service of the Library of Congress for 17 Republican and Democratic legislators.

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might provide the answer**

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Inc



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let's talk turkey about your business

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Company _____

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**WATCH
THIS ISSUE**

Impact coming from merger decision

Your business plans can be
affected by court action
to begin this month

ONE OF THE landmark cases in antitrust history moves closer to solution this month.

The case has been brought before a federal district court in New York by the United States government seeking to block a corporate union between Bethlehem Steel Corporation and Youngstown Sheet & Tube Company—the largest of all American mergers proposed to date, with combined assets that approach \$3 billion.

The outcome has special significance because:

- ▶ A government victory will almost certainly result in a marked slowing of corporate mergers.
- ▶ A government defeat could mean newer, bigger and less encumbered economic expansion.
- ▶ The decision will provide a definitive interpretation of the latest (1950) antitrust amendments; it will be a ruling closely related to the controversial Du Pont-General Motors stock ownership case decided in June.
- ▶ The case could prod Congress toward revaluation of existing anti-trust philosophy.

Government lawyers have been preparing the Bethlehem-Youngstown trial for two years. They are confident that, on the basis of the Clayton Act as amended in 1950, they have a strong case. In fact, they are opening the trial with a request for summary judgment which, if granted, will mean a brief lower court proceeding of a few days. If denied, the case will be tried in all aspects and may continue for months. In either instance, the way

is clear via a special "expediting" statute for appeal directly to the U. S. Supreme Court.

Justice Department attorneys have pegged their case to Section 7 of the Clayton Act which, in essence, prohibits one corporation from acquiring the stock or assets of another where the effect would be a tendency to lessen competition or create monopoly "in any line of [interstate] commerce in any section of the country."

The government contends that it need prove only a reasonable probability that the proposed merger would tend to lessen competition. It has data and figures to show:

Bethlehem handles about 15 per cent of the total national steel ingot product, Youngstown about five per cent. United States Steel, whose holdings were consolidated long before the current law, handles about 30 per cent. Seven other companies handle some 30 per cent of the total steel output, and 75 smaller concerns produce the remaining 20 per cent.

Thus, where two companies (U.S. Steel and Bethlehem) now, before the merger, handle 45 per cent of the nation's steel production, these same companies after the merger would handle 50 per cent.

The government also says 75 per cent of the output of both Bethlehem and Youngstown consists of common products.

This ratio is said to apply both on a tonnage and dollar basis and in regard to finished products as well as ingot production.

Both companies are and have been operating regularly at a profit. Why should they want to merge?

Bethlehem, now producing only in the East and Far West, wants to ex-

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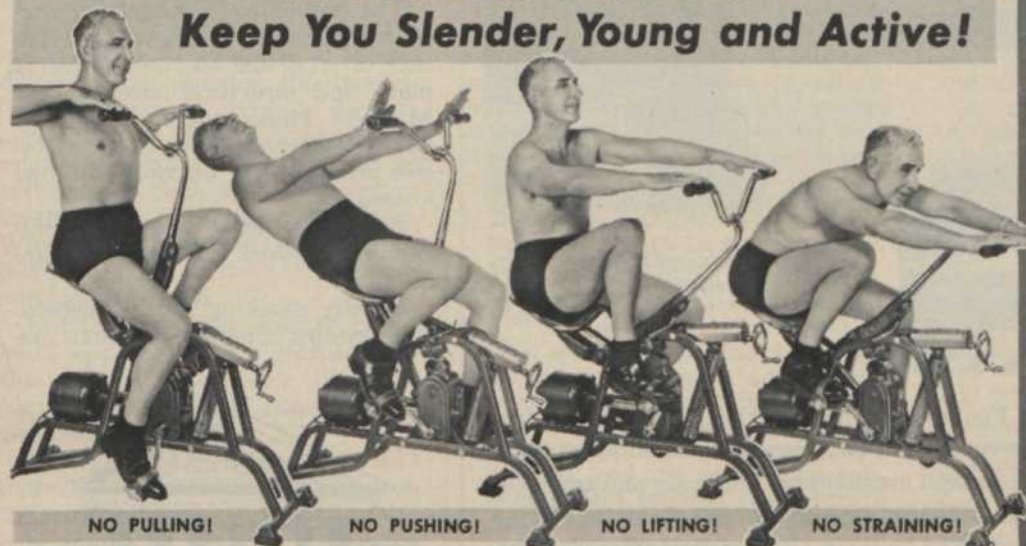
If years of sitting at a desk, or at the wheel, or

standing on your feet (and not enough daily exercise) has brought about *occupational stasis* (stagnation of blood circulation and body metabolism) causing you to now suffer from vague aches and pains in your back, legs or feet; from faulty digestion or elimination; from nervousness or sleeplessness; from breathlessness; from circulatory disorders; from lack of strength, pep and energy; from overweight; or from premature old age; then do as tens of thousands of men and women are doing: *take a short, daily automatic EXERCYCLE ride!* And remember this! No form of massage, vibrations or other artificial means of stimulation can compare with ACTION OF THE MAIN BODY MUSCLES in overcoming *occupational stasis*.

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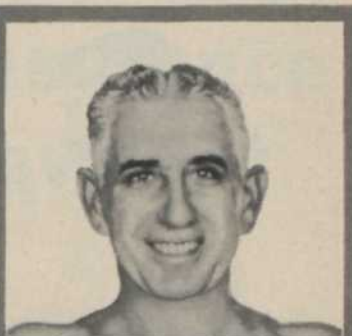
Better blood circulation provides more oxygen for the body cells, a more rapid replacement of dead tissues, faster distribution of glucose, amino acids, hormones, red cells and white cells by the blood stream... all of which improves body metabolism and helps to keep you feeling and looking young, strong, healthy, and radiant.

IT'S NEVER TOO LATE TO FEEL YOUNG AGAIN!

No matter how old you are, or how soft, or fat, or weak you have grown as a result of *occupational stasis*, EXERCYCLE can take you in hand and, little by little, make a new person out of you. Within 10 days you'll start feeling younger, looking better and acting livelier. In 30 days you'll awaken a new and refreshed person... you'll stand taller, feel lighter, look healthier, eat heartier and sleep more soundly. And you'll feel less jittery, too. For there's nothing that can relax the nerves more naturally and quickly than gentle, passive exercise. Soon friends will say: "You look simply great!" And you'll say: "I feel great!"

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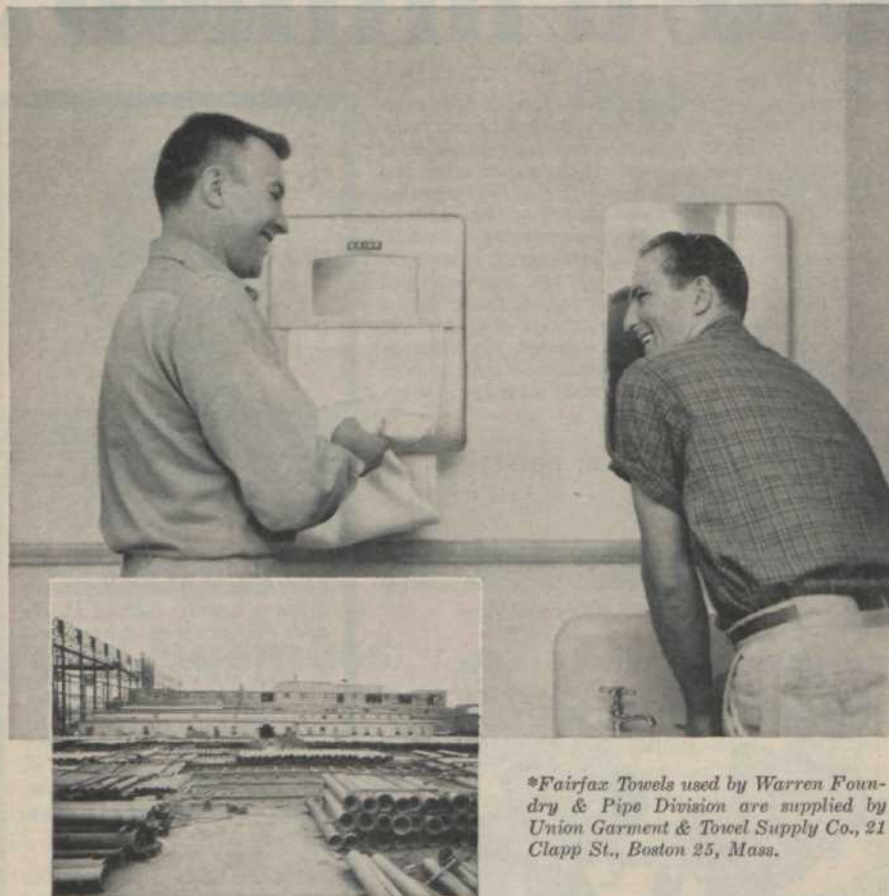
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MERGER DECISION

continued

pand into the Midwest market. Bethlehem argues that, because of inflationary factors, the cost of totally new expansion would be prohibitive, whereas if the company can acquire existing sites and facilities, expansion would become feasible.

Youngstown, which would also like to expand, says it does not have the necessary capital to do so.

Together, the two firms believe they can accomplish their purpose and, at the same time, actually increase competition in a large part of the country.

Bethlehem has the capital and the know-how for the job; Youngstown has the plants where they are needed—in Ohio and northern Indiana, near Chicago.

The Bethlehem-Youngstown forces are prepared to show the existence of an actual shortage of heavy plate and structural steel in the Midwest. Hence, there would be no question of overproducing or excessive price cutting, but only of filling a need.

Among the legal and philosophical implications of the case are these:

Legally speaking the Bethlehem-Youngstown case is the first one



brought to trial for the avowed purpose of getting a ruling on the 1950 amendments to the Clayton Act. It has much significance in relation to the question of whether the government is right in assuming it can block corporate mergers in any line of commerce upon the showing of a mere probability that the proposed merger will tend to lessen competition or create monopoly.

It has equal significance in other legal areas—the kind of evidence which may be required to demonstrate such a probability.

In the Du Pont-General Motors

case when Du Pont's stock interest in General Motors was held illegal, the Supreme Court invoked the Clayton Act for the first time against a vertical stock acquisition—one in which a company buys into a non-competing firm. The Court has never ruled under the 1950 law on stock acquisitions in which the companies involved are competing as in the Bethlehem-Youngstown case.

Decision on the case could go either way without occasioning the surprise that came with the ruling in the Du Pont case. The question to decide seems to be whether or not there would be undue commingling of horizontal interests.

The surprise, if any, will probably attach to the tests which the Court adopts as a means of reaching the decision. So far, only one case in point has been tried in the federal courts. It was brought by a U. S. sugar concern against a Cuban concern seeking to buy into competing interests. Last June a federal district court stopped the merger, basing its action on these factors: percentage of market involved, the relative difficulty to newcomers in entering the field, and the record of the merging firms as price cutters. Whether the Supreme Court follows this lead, adds to it or abandons it remains to be seen.

But the degree of severity of the tests applied in the Bethlehem-Youngstown case seems likely to control the degree of future corporate merging.

Throughout the present decade there has been a marked trend on the part of the government to prosecute industrial bigness, under the antitrust laws, primarily because it is big.

This is the most recent change in antitrust philosophy which has altered constantly since its inception. In the early part of the century it was directed toward control of the financial trusts. Between the two world wars it tried to curb over-zealous competition. In the post-World War II years it has been used as a lever against domination of certain segments of the national economy.

But the recent Senate investigations into price administration and controlled production have brought out serious doubts as to whether bigness, as such, is inevitably related to lessened competition and high prices. There is considerable evidence to the contrary in the testimony of the independent economists.

The Supreme Court's decision in the Bethlehem-Youngstown case takes on added importance in this light.

For what it's worth...

The reason why under-insurance is so prevalent

*from the CLIENTS' SERVICE BULLETIN
of The AMERICAN APPRAISAL Company*

Reported data on fire losses on industrial, commercial, institutional or residential property indicate that a large proportion of property owners were under-insured.

Inadequate coverage of insurable values is often the result of neglect by management or lack of interest in the insurance program—a failure to foresee the consequences which could result. The following are among the chief causes of under-insurance:

1. Failure to recognize the full impact of inflation on property values—particularly in the case of buildings, machinery and equipment.
2. The tendency to base insurable values on property accounting records not designed for this purpose. Seldom are all property additions and improvements capitalized, and the accounting records reflect original costs which must be converted to present costs of reproduction.
3. The use of depreciation for accounting purposes to measure depreciation sustained. Book depreciation is designed to recover the costs of the assets over their useful lives in some systematic manner. Amortization and special write-offs further distort the recorded figures. It is not unusual to find many useful assets fully depreciated on the books and an over-all depreciation of 50% or more indicated for the entire property.

Insurance companies and adjusters take a realistic view of accrued depreciation in measuring "actual cash value" referred to in the standard insurance policy. They maintain that any specific building or machine which is serving its intended purpose is usually not depreciated beyond 40% or 50%, and the over-all depreciation on a well-maintained and efficiently operating plant would be far less than that. For insurance purposes, age times an accounting rate alone is not the measure of depreciation;

full consideration must be given to the maintenance and repair policies, accrued obsolescence, and the operating condition of the property units.

When we consider these deficiencies in the property accounts as a basis for estimating insurable values and the great inflation in the costs of buildings and equipment during the past 15 years, it is not surprising that a current detailed appraisal generally reveals the need for more insurance. It points the way for better protection for the property owner at a proper cost and provides the means for assuring prompt and satisfactory loss adjustments.

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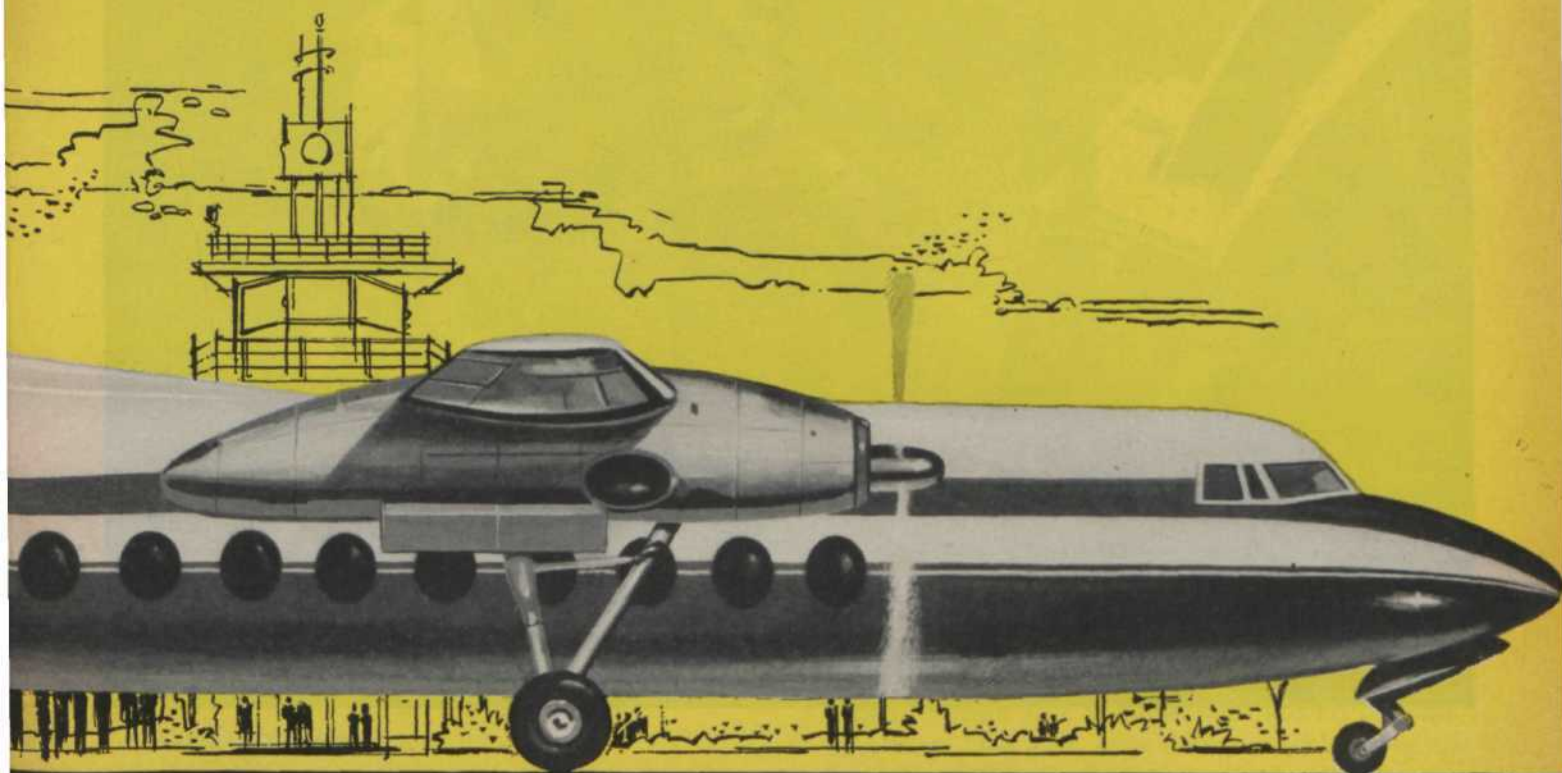


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Bonanza, Mackey, Northern Consolidated, Piedmont, Quebecair, Southwest, West Coast, Wheeler and Wien Alaska, 1958 will be an important year of transition. They will convert from costly, out-moded equipment to the economical, modern, in-step-with-the-times F-27. It's a changeover to 280 m.p.h. propjet speed, to pressurized and air conditioned comfort, to vibration-free, low-sound, restful flight.

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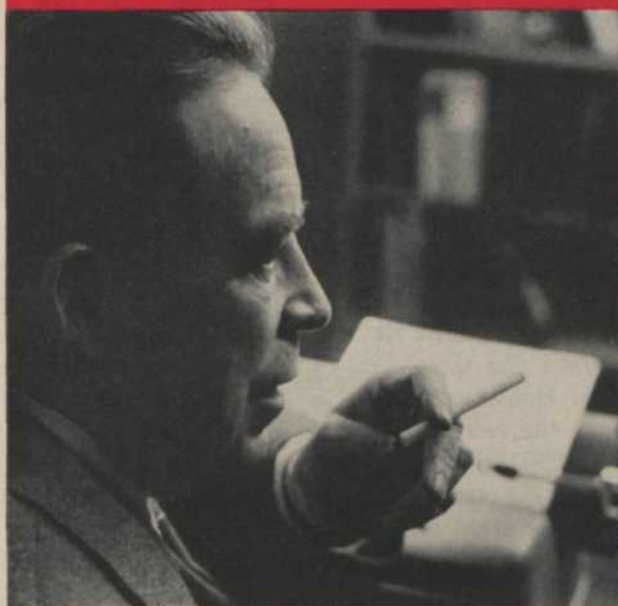
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Trends

of Nation's Business



FRED J. MAROON

THE STATE OF THE NATION

BY FELIX MORLEY

Sputnik offers mankind the choice of a global outlook or no outlook at all

THE INEXORABLE LAW of diminishing returns has now applied itself even to publicity on Sputnik. Although Sputnik was a great deal more than the normal newspaper sensation, we are already beginning to take it, and its potential successors, for granted. Children are being born to whom these may be as commonplace as airplanes are for us. So it becomes reasonable to consider the implications of this marvelous achievement in terms less extravagant than conquest of the moon on the one hand, or destruction of our civilization by ballistic missiles on the other.

All such speculation, however, is justifiable. In its astronomical field this is unquestionably the most remarkable accomplishment since the first circumnavigation of the globe. It took the survivors of Magellan's expedition three years and a month to accomplish that feat, in 1519-22. Sputnik made its first circuit in 96 minutes and then proceeded to shave that record. That is rapid prog-

ress, to which the adaptation of human thinking is not easy.

Perhaps the first step in making the essential adjustments is realization that the basic facts on which Sputnik rose to fame were known to some men long, long ago. At a date now calculated to have been 2283 B. C. astrologers in Chaldea recorded an eclipse of the moon and deduced the planetary system therefrom. These great people, whose very name is now all but forgotten, were the first to discover that our world is a sphere, rotating in a solar system held together by gravitation. From this knowledge the Chaldeans accurately figured the length of the year at $365\frac{1}{4}$ days.



The inland location of Babylon, and its conquest by the more primitive Persians, prevented any other application of this early astronomical information. So far as we know, Nebuchadnezzar never labeled it top secret, but this first step toward Sputnik was nevertheless completely erased by warfare which to us, today, seems to have been completely meaningless. Yet war never wholly erases the quality of reasoning from all human minds. After one of the Dark Ages, of which mankind has seen many, discovery of the earth's rotation around the sun was made again, this time by Greek mathematicians of the school of Alexandria. A scientist named Aristarchus proved it and Eratosthenes, using Euclidean geometry, calculated the circumference of the globe as approximately

State of the nation

the 25,000 miles which most school children now know it to be. How many of them in this country could today figure it out by geometry is another question.

It is curious that the very practical Romans made no use of this knowledge, stored in Alexandria's enormous library, when they captured that city from Cleopatra. They had ships capable of crossing the Atlantic, and the daring and skill to navigate them. They sailed as far north as Iceland; as far east as China, and could just as readily have traveled westward along the route taken by Columbus in 1492. But the Romans, for all their engineering skill, were far behind the Greeks as theoretical scientists. They had the organization but not the know-how. Because the world looked flat to the Roman emperors they said it was flat. Because they saw the sun revolving around the earth they said it did so. They were great realists, the Romans, but, like all realists, prone to confuse appearance with reality.

• • •

So the Romans never discovered America, even though an Italian sailor was eventually to do it, a thousand years after the Roman Empire collapsed and the archives at Alexandria were destroyed. History could again repeat, following the success of Sputnik, plunging us all into another Dark Age to climb again, centuries later, from the point we have reached today. It is certainly possible. And to judge only by the prevalent comment one might easily conclude that the military potential of Sputnik is its most notable feature. Man's lust to destroy his fellows is certainly as pronounced in history as his anxiety to probe the secrets of the universe.

Today it seems of singularly little importance that the Chaldeans and the Greeks were the great scientific rivals of the ancient world, in somewhat the same roles as those in which the Russians and ourselves are cast today. It seems much more significant that after the basic scientific work was done it took so many centuries to make any practical application of the knowledge gained. Of all the signals sent back to earth by Sputnik that is the one that requires the least decoding, yet seems the most difficult of all to read.

One can only hope that the inability to make constructive application of knowledge will not be the verdict of the long-range future as to the Russians and ourselves. Posterity will certainly realize, if we do not, that rivalry between the two systems is not going to be settled in favor of either by intercontinental ballistic missiles. For posterity the issue is not going to be who is momentarily ahead in military development. The issue will be, as it is, what can the intelligence of mankind as a whole

do with the achievement that science has placed within its power to utilize? Is a balance of terror between the U.S.S.R. and U.S.A. the best that can be anticipated?

For the first time in history man has now really risen above the earth. The satellite in its orbit transcends the law of gravity to which the most advanced airplane is still subject. Khrushchev does not boast when he says that Sputnik relegates bombing planes to the museum, for the fastest of them is an earthbound stagecoach by comparison.

Unfortunately neither Khrushchev, nor indeed our own political leaders, seems to have realized that from 500 miles up the earth must look very different than from its surface. The earthbound adjective attached to the satellite is "Russian." But with complete indifference to political divisions it zips across the old boundary between Chaldea and Persia, and the iron curtain of today. From Sputnik's viewpoint they must all look equally like threads of gossamer—the one that is momentarily here of no more permanence than the one that is forever gone.

An achievement of this character demands a wholly new outlook, but man finds that very difficult to achieve until it is almost forced upon him. A global outlook was demanded from the day that forgotten Chaldean astrologer first said to himself: "By gosh, the world is round!" But until yesterday, historically speaking, we blundered along on the assumption that it is flat, as any fool can see with his own eyes. From the moment that Sputnik began to "orbit," at a speed of five miles a second or thereabouts, a universal rather than a narrowly national viewpoint was in order. But the first reactions to this accomplishment have been those of national pride, and national chagrin.

• • •

Science marches on because its achievements know no frontiers, can be consolidated and transmitted from one generation to the next. Politics lags behind because it is earthbound and because its governing laws—though they are real—are far less easy to communicate. Only a very few have real scientific ability, but those who do can and always will cooperate. Everybody is entitled to his opinion in politics, and the essence of it is disagreement.

Therefore the two schools of thought get further and further apart, until the whole area in which both operate is shaken by some development so momentous that there is no alternative between political collapse and nonpolitical advancement. Such inescapable choices confront few generations, but ours is one of the few.

When the scientists can lift an artificial moon so far above political boundaries, it becomes incumbent on the politicians to lift their eyes from earth towards Heaven too.

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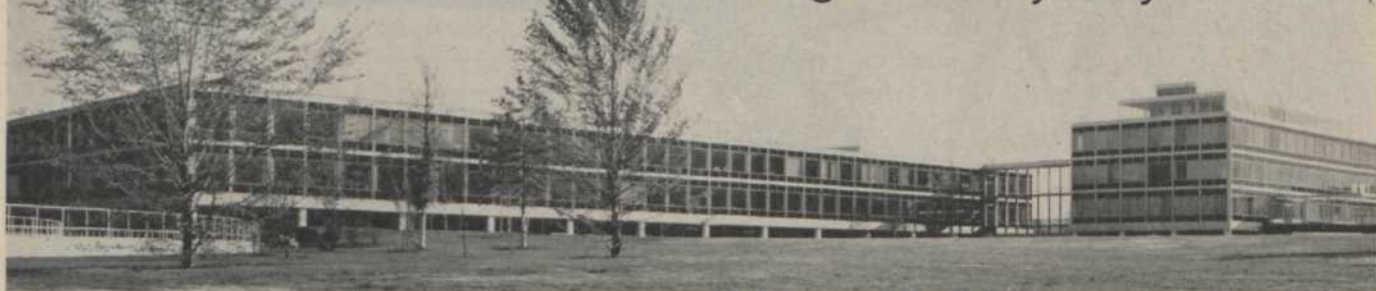
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Trends

of Nation's Business



WASHINGTON MOOD

BY EDWARD T. FOLLIARD

President knows rest of term will be rugged but doesn't let this rattle him

PRESIDENT EISENHOWER is now reconciled to a stormy time of it for the remainder of his days in the White House.

He knows he has lost the affection of millions of his countrymen in the South, as well as some in the North who feel strongly about the racial issue. He knows, also, that he may well become one of the most vilified chief executives in our history.

This is truly ironic, because no occupant of the White House ever wanted so much to be liked. It could be said, too, that none ever so abhorred controversy or trouble of any kind in domestic affairs. A tough, relentless soldier when he was conquering Rommel and von Rundstedt in World War II,

he seemed to be saddened and repelled by turmoil at home.

The two things—his desire to be liked and his distaste for fussing—appeared to be related. Anyway, his critics related them, and saw in them a trait that they believed to be dangerous in a chief executive. Former President Truman put this thought into words in a speech here last March, while the budget fight was on. He said that President Eisenhower had tried to “stay above the battle” so that he “would still be popular.”

Mr. Truman was implying that his successor in the White House was a weak man—weak because he avoided positions or actions that might alienate any of his followers.

Adlai E. Stevenson said it more directly in a speech in Kansas City, Mo., in the 1956 campaign. He charged that President Eisenhower was a weak, buck-passing executive who had rejected his responsibility of leadership.

The reappraisal that has since been made of the President, at least in the South, would lead a foreigner to wonder if it was possible that the same man was in the White House. As a result of the events in Little Rock, and the calling out of Army regulars, political leaders and newspapers in Dixie have denounced President Eisenhower as a “despot,” “der Fuehrer,” a “Caesar.” His action has been likened to Hitler's use of Storm Troopers and to Russia's use of the Red Army to crush Hungary. He has been accused of bringing on what is called Reconstruction Era II, and there have even been cries for impeachment.



The man who is the target for all this had been more popular in the South than any Republican President in history. John Temple Graves, writing in the *Birmingham Post-Herald*, noted this and said:

“It is sad, remembering how he has been loved in the South, to sense the totality of the Southern turnaway now, and the certainty that it will endure. And we loved him so.”

What happens to a man like President Eisenhower, a man who heretofore has seemed astonished to hear that somebody disliked him—that is, disliked him not merely on political grounds, but as an individual—what happens when such a man gets into a situation where, almost overnight, millions turn against him and begin to revile him?

Well, the President thinks it is sad, too, and has said so. However, those who see much of him say that he is not brooding over it, and has shown no signs of getting rattled. There is no doubt in his mind that he acted as he had to act—that there was no alternative. Some of his erstwhile backers in the South, trying to get off a political hook, have said he was pushed into his action by Attorney General Herbert Brownell and other advisers. At the White House, they scoff at such talk. It

Washington mood

may seem strange, considering that he heads the party of Abraham Lincoln, but President Eisenhower has never publicly expressed an opinion on the 1954 Supreme Court decision outlawing segregation in the schools, and its directive that integration of white and Negro pupils be carried out with all deliberate speed.

At press conferences, newsmen have tried to get the President to take a stand but without success. Here is the way it went at a press conference on Sept. 5, 1956:

Reporter: "Mr. President, do you indorse the finding of the Supreme Court on segregation or merely accept it as the Republican platform does?"

The President: "I think it makes no difference whether or not I indorse it. What I say is, the Constitution is as the Supreme Court interprets it; and I must conform to that and do my very best to see that it is carried out in this country."



He argues—but not very convincingly so far as the South is concerned—that integration was not the issue at all in his calling out of troops in Little Rock; he says the issue was enforcement of the orders of a federal court. He says—and he seems to believe—that if he had not acted as he did, the result could have been mob rule, anarchy, and a break-up of the union.

The President certainly realizes that his action at Little Rock has not settled the integration controversy. Knowing the South and its racial views as a result of his soldiering in that region, he is aware that there are states that are far more opposed to a mixing of the races than is Arkansas. Sooner or later, there will have to be a showdown in these states. He would not like to call out troops again, but there is no doubt that he will if another Little Rock situation develops.

An onlooker here in Washington cannot help but wonder if the President would have consented to run for a second term if he had had any idea of what lay ahead for him. For he is harassed now not only by the anger of the South, but by a number of other problems. For example, he faces the difficulty of keeping the federal budget within bounds and at the same time seeing to it that the United States is not outdistanced by Russia in the field of ocean-crossing missiles.

For a time, so well did things go for President Eisenhower, that we began to wonder here if there hadn't been a good deal of exaggeration in earlier descriptions of the office of President. It had been called a terrible burden and the hardest job in the world.

In his first term, President Eisenhower had a

relatively tranquil experience. There were no big, nationwide strikes such as had plagued Mr. Truman. The war in Korea came to an end. A slight business recession passed quickly. The Russians behaved badly, but there was nothing new in that. No chief executive had ever been dealt with so gently by opposing politicians and newspapers, not even George Washington, who was called a tyrant and worse.

Was this why President Eisenhower agreed to run for a second term in 1956, despite the heart attack that hit him on Sept. 24, 1955? Did he really believe that the relative tranquility could go on for another four years? And did he, like his associates, believe that there was a special brand of Eisenhower luck?

These are questions that only the President could answer, but one thing is certain: He is now in for a rugged three years and three months, and he knows it.

I have found myself thinking back to the 1952 campaign, and reflecting on how different the outlook was then, and on the uncertainty of politics in general. There is no doubt that General Eisenhower's seeming friendliness and mildness—his talk of moderation and conciliation—had much to do with his vast popularity, in the South as well as in the North.

In '52 the American people appeared to be fed up with the crises, the conflicts and the turmoil of the Roosevelt and Truman years. They longed for a period of calm, free of war abroad and feuding at home; if it was at all possible, they hoped for a new era of good feeling.



General Eisenhower, the Republican nominee, seemed to be the man who could bring it about. He was, as Churchill had said, not only a soldier who could win victories but one who could "win the hearts of men."

In a tour of the South that year the soldier-statesman addressed a rally in a city that is much better known now than it was then. The crowd was made up largely of Democrats. However, it was a friendly crowd, just as crowds earlier in Atlanta and other Southern cities had been.

General Eisenhower, after taking a few pokes at the "mess" in Washington, began to talk about something else. Why, he asked, couldn't we get along better at home? Why couldn't management and labor create a better climate of cooperation? Why couldn't it be a friendlier country all around?

"I believe we can do all of those things," the future President said, "if we will try to establish a feeling of 'Good morning, neighbor' instead of 'Well, who are you?'"

Some of the elderly men in the crowd said "Amen! Amen!"

The time of that particular rally was early September, 1952; the place, Little Rock, Ark.



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INDUSTRIAL LUBRICANTS



New alliances will shape labor's future

Top labor leaders bring new goals, old enmities to coming struggle for control

BUSINESSMEN, employees and consumers will be caught in the crossfire as labor's top leaders and big unions engage in a new struggle for power. Some will get hurt whether or not they have relations with unions directly involved—or with any union at all.

This is what's happening:

Even before the two-year-old AFL-CIO merger is completed in fact as well as in name, the labor movement is threatened with another major split more serious than the recent 20-year rivalry between AFL and CIO.

New labor alliances are emerging which can shift the center of labor power, upset established labor relations patterns, and force other changes which will affect political and economic developments.

Although focused in AFL-CIO, the fight will involve unions and leaders outside the giant federation of 17 million members.

Just how the struggle will come out and how long it will last depends on several factors.

One is: how determined and effective labor will be in trying to get rid of corrupt elements and practices.

Another is: the extent of public revolt against labor abuses that are being exposed by the Senate Select Committee headed by Sen. John L. McClellan of Arkansas.

A third: what steps Congress will take next session to cope with growing labor power, improper practices and outright corruption.

Inside the merged federation, President George Meany, former AFL chief, finds himself drawing closer to his former CIO rivals and opening a chasm between himself and his old friends from the AFL. This is particularly evident in relation to two problems: corruption and jurisdictional disputes.

In dealing with corrupt influences among affiliates, the practical, blunt former New York plumber is more in agreement with social reformer Walter P. Reuther, former CIO president, than with many of his old AFL associates.

Cheered by Mr. Reuther, Mr. Meany has taken a strong stand in favor of expelling AFL-CIO unions which do not move to end corruption and conform to the federation's six Codes of Ethical Practices.

Older heads in the AFL group, more fearful of the consequences and still suspicious of some former CIO leaders, would like to move more cautiously. They prefer to see unions given more time to remove corrupt leaders and stay in the AFL-CIO. They feel expulsion is not the solution.

Expelled unions may continue to exist and thrive as before, they point out, as some unions expelled from AFL and CIO have done in the past. Prime examples: the International Longshoremen's Association on eastern waterfronts, expelled from AFL in 1953 as corrupt; Harry Bridges' International Longshoremen's and Warehousemen's Union, expelled from CIO in 1949 as communist controlled.

Expelling a strong, important union from AFL-CIO is not easy. This becomes evident when one examines the expulsion process.

First to act is the Ethical Practices Committee. This group may have no difficulty recommending expulsion of an affiliate for corrupt leadership. The tainted unions are mostly from the old AFL, and four of the five committee members are from unions which fought the AFL in the past. The committee's counsel, Arthur Goldberg, was the CIO's legal chief.

Chairman is Al J. Hayes of the Machinists, a union which refused to pay per capita tax to the AFL during

NEW ALLIANCES *continued*

the 1940's on the ground that the Executive Council failed to enforce the Machinists' jurisdictional rights in a dispute with the Carpenters.

Members David Dubinsky of the Ladies' Garment Workers, Joseph Curran of the Maritime Union and Jacob Potofsky of the Amalgamated Clothing Workers represent organizations which broke from AFL when the CIO was formed, although the Garment Workers later returned.

The fifth member is labor's highest salaried official, George M. Harrison, president of the Brotherhood of Railway Clerks: salary, \$60,000 a year.

The Committee's recommendation then goes to the Executive Council. Action here becomes more difficult. The Council cannot expel. It can only suspend and a two-thirds vote is required for that. If members from old AFL unions stick together, they can easily block suspension. The council is made up of 19 members from former AFL unions, some of which may likewise be involved in corruption. Ten are from former CIO unions.

Many former AFL unions in AFL-CIO have working agreements with each other with respect to jurisdiction, organizing, strikes, and other matters, which they would have to terminate with respect to any expelled union. They are not likely to rush to do this without giving serious thought to the direct impact on the fortunes of their own unions.

The Teamsters, for instance, have agreements with about 10 unions. Many are with the building trades on construction projects. Mr. Hayes' Machinists have agreements with the Teamsters with respect to workers in auto repair garages and handling vending machines.

Only the AFL-CIO convention can expel an affiliate. Here, too, a two-thirds vote is required, and the former AFL has a 2-to-1 edge in votes.

On jurisdictional issues, building trades craft unions are unhappy about two proposals in which Mr. Meany was involved. One is an Executive Council panel decision against the Sheet Metal Workers to end its refusal



James R. Hoffa and his Teamsters, defying AFL-CIO expulsion on corruption charges, force together top leaders Walter P. Reuther and George Meany (right)



INTERNATIONAL

to install industrial ventilators made in plants organized by the United Steelworkers. The Sheet Metal Workers have refused to comply.

The other is a proposal for resolving a bitter fight between the old Building Trades Department, headed by Richard J. Gray, and the new Industrial Union Department, which is headed by Mr. Reuther and is the haven of old CIO unions within AFL-CIO.

The argument involves jurisdiction over construction work connected with industrial plants. The proposal: New construction will come under the building trades unions; normal in-plant maintenance will come under industrial unions representing plantworkers; jurisdiction over alterations, major repairs, and relocation of facilities will be decided on the basis of past practices.

Building trades unions don't like it. Some are talking about pulling out of AFL-CIO—but it is mostly talk. They are making their objections felt in a real way, however, by blocking the merger of local and state AFL and CIO councils in many areas and states.

Mr. Gray says that is the one course left for the building trades unions to pursue if a satisfactory solution of the problem is not reached soon. Apparently regretting the merger, Mr. Gray says the building trades were sucked into the merger convention where they were outvoted.

When AFL and CIO merged on Dec. 5, 1955, their 80 state and 1,019 local councils were given two years to unite. Merger of state bodies has been achieved in only 30 states, none of them in the large industrial states, such as New York, Pennsylvania, New Jersey, Ohio, Michigan, Indiana, Illinois and California, where building trades unions are strong. Progress in the cities is no better.

AFL and CIO charters held by local and state federations will expire next Dec. 5. The AFL-CIO is then supposed to move in and organize its own joint bodies in the cities and states where local and state leaders have been unable to get together on their own.

Mergers have also been slow to materialize between former AFL and CIO unions competing in the same fields. Only in papermaking and among government employes have rival AFL and CIO organizations consolidated. Rivalries between AFL and CIO affiliates continue in the chemical, meatpacking, textile, glass, retailing and shoe industries.

Little progress has been made toward consolidating three separate plans for settling jurisdictional disputes. They are the AFL-CIO No-Raiding Agreement, with David L. Cole as umpire; the CIO Organizational Disputes Agreement, with David H. Stowe as arbiter, and the AFL Internal Disputes Plan, headed up by a panel of arbitrators. All three are still functioning, although the Teamsters have refused to participate in them.

Labor leaders outside AFL-CIO most interested in the struggle for labor power are John L. Lewis of the United Mine Workers, William V. Bradley of the East Coast Longshoremen, and Harry Bridges, whose union controls the West Coast waterfront. All were formerly in the AFL, Mr. Lewis and Mr. Bridges also having been in the CIO.

What alliances might unions expelled from AFL-CIO make with these leaders? Is a rival federation likely to develop, as the CIO did in 1935?

No new federation is expected to grow from a new split in the labor movement, but there will be strong alliances to consolidate and build up power and influence.

No rivalries inside labor are more bitter than Mr. Lewis' feuds with Mr. Meany and Mr. Reuther.

Nothing would please Mr. Lewis more than to start another federation, as he did the CIO, to try to undermine the two top men in AFL-CIO. But at 77, after almost 40 years of labor power, Mr. Lewis is not in a mood to go that far. It is debatable, too, whether he could get enough important unions to go along in a new federation. Talks between Mr. Lewis, Dave Beck of the Teamsters and David J. McDonald of the Steelworkers got nowhere in 1954, reportedly because Mr. Beck objected to Mr. Lewis running things.

(continued on page 55)



UNITED PRESS

Harry Bridges and William Bradley (*below*) control waterfronts on both coasts through unions expelled from CIO, AFL



UNITED PRESS

John L. Lewis is big question-mark. He started CIO, quit AFL twice, may seek new alignments



FRED J. MAROON

Test your own assumptions

Try this quiz on what makes a realist, idealist or pragmatist, then read how it can affect both your company and you

THE FOLLOWING is a logically validated test of one's personal and business philosophy prepared by Dr. Martin Levit, Professor of Education at the University of Kansas City, and a member of the Philosophy of Education Society. A contributor of articles on philosophy to professional journals, Dr. Levit prepared this test expressly for use with the accompanying article by J. H. Morrison.

Directions: For each numbered statement select and check the one statement (a, b, or c) with which you are in greatest agreement. Sometimes you may feel that you don't agree entirely with any one of the statements—that you would like to combine parts of two statements. Nevertheless, check just one statement in each item, the one you most, or on the whole, agree with.

1. Concerning the value, or ultimate purpose, of a business organization, I believe that:

- ☐ a. Although it can be used to contribute to higher purposes, business as such deals with lesser though necessary values, for it deals with material things and conditions and not with higher values of life.
- ☐ b. It is to provide society with necessary goods and services, and to provide owners and employees with a means of livelihood. Other purposes may be related, but the economic purpose is central.
- ☐ c. It is intimately related to individual and social values, for the things produced and the relations of people in the production process help determine some of the most profound human values, such as social cooperation.

2. Concerning my philosophy of life in general, I believe that:

- ☐ a. The world of physical reality is the most fundamental thing. It is objective and factual, something I have to accept and, by and large, work with on its own terms.
- ☐ b. The self is primary, "things" are secondary. The soul and individual self, rather than things or matter, are the essential factors; they fur-

nish the standards and ideals which give to experience its structure and aims.

- ☐ c. We should take experience as we find it and not construct theories which are outside of, or above, the findings of the human situation. We are biological and social organisms trying to solve problems set us by our environment.

3. Authority in business affairs may best be regarded as:

- ☐ a. Situational and social. That is, society or smaller social groups grant authority (say, to a business leader, who may in turn delegate it) to help get a job done, and these grants may be changed as the situation changes or as the results become clear.
- ☐ b. Legal and factual. It stems from the legal recognition of the realities of the economic situation. It stems from such facts as ownership, technical expertness, and a consideration of the rights and powers needed for efficient organization and administration.
- ☐ c. Basically reflections of a higher authority, or of ideals, which speak to and through social, economic and legal authority. Social, economic and legal authority should conform to these ideals.

4. Planning in business consists:

- ☐ a. Basically of rather specific, concrete, immediate plans (though always with an eye toward the future), for parts well done will take care of the whole.
- ☐ b. Fundamentally of the careful formulation of a rather long-range (though modifiable) comprehensive plan which foreshadows the detailed specific plans, since the whole, planned well, will largely take care of the parts, if the parts are then properly carried out.
- ☐ c. Of an interrelated formulation and testing of both short-range and long-range plans, for neither the parts nor the whole is supreme and either kind of plan can affect the other.

5. In general, in deciding on new plans and policies:

- a. There is no substitute for the wisdom of top notch leaders, men who have a kind of intuitive insight or foresight and who can think clearly and logically.
- b. We should develop our plans cooperatively, in the light of our collective wisdom, and test them in trial runs or experimental projects.
- c. Tried and tested past experience and a rigorous factual study of the present situation are the best keys to success.

6. In deciding on problems concerning decentralization or delegation of authority, one should especially consider such questions as:

- a. What will be the effect on initiative and group morale, on coordination of units, and on facilitating an understanding of the complete picture among all who are involved?
- b. What are the time and space factors? Who knows the facts that will determine the decisions? How significant (in terms of dollars and cents) are the decisions?
- c. Who are the people involved (or what kind of key men can be gotten)? What qualities of personality, leadership, loyalty, and cooperation do these men have?

7. The best advice I can give to a young executive is:

- a. "Seek not so much to amass information as to question facts and assumptions, to conceive of new ideas, and to verify facts and ideas in practice."
- b. "Seek to improve your knowledge, to improve your ability to face facts and to learn from them, and to improve your ability to apply facts with common sense."
- c. "Seek to develop a trained intuition, powers of purposeful reflection and logical clarity, and a personality to command respect and attention."

8. All other things being equal, the best technique of executive development in a corporation is:

- a. Job rotation, giving a promotable man concrete, first-hand experience in various divisions or departments—so long as the losses due to inefficiency (because of lack of experience) are not significant.
- b. The "assistant-to" technique, placing a promotable man in contact, as assistant, with a stimulating and insightful top executive who gradually turns over increasing responsibility to him.
- c. The committee, or multiple-management technique, whereby promotable men are assigned to a board or council which as a group gets experience in dealing with and analyzing various problems, and then makes suggestions to a senior board.

9. To me, intelligence means:

- a. The ability to solve problems, to get a job done well.
- b. The ability to think logically and insightfully.
- c. Knowledge of facts and thinking in accordance with the facts.

10. Generally, the most basic factors in management-labor disputes are:

- a. People—the personalities, ambitions, interests, and idiosyncrasies of the people involved (e. g. president and union head, foreman and worker).
- b. Such concrete and hard facts as wages, salaries, working conditions, output and quality standards, and the profit required per unit of output.
- c. Complex social relations and factors, including status and interest groups, security, feelings of participation in decision making, as these relate to economic factors.

11. The management of a company is concerned with the problem of eliminating unnecessary delays of trucks en route. One executive suggests installation on trucks of a mechanism that records and times each stop. The best technique for getting the drivers to cooperate in solving this is to:

- a. Get a well-liked, tactful, and persuasive executive to explain the problem and the proposed solution to the drivers, preferably by working through key labor representatives. Suggestions from the workers should be asked for and the proposal should be modified within reasonable limits, if necessary.
- b. Raise the problem with the drivers or their representatives, stimulate discussion of the problem and of all proposed solutions, select the solution which seems best after this discussion, and try to give the drivers partial responsibility in carrying out the decision.
- c. Thoroughly and tactfully explain to the drivers or their representatives the need in terms of economy and efficiency for some kind of objective checking device. Use whatever reasonable suggestions they have, and indicate that the savings will be split between the company and the drivers.

12. Possibly the most important kind of question to ask when facing some business difficulty is:

- a. Are the facts and information which I have correct and complete?
- b. Is my definition or assumption about the nature and scope of the problem the best one?
- c. Are my principles and reasoning correct and is my conclusion logical?

13. The foundations of an individual's personality:

- a. Lie in the relative dominance of such often sub-

conscious drives or impulses as the striving for happiness, or the will to power and security, and the striving for merging with others, belonging, and acceptance.

- b. Can be found in a conditioning process in which concrete, objective realities almost literally mold a person, rewarding him for this and punishing him for that, so that he comes to like "this" and not "that."
 - c. Lie in a complex relation of biological and social factors, wherein broad social factors have an enormous shaping and directing influence, and yet the person is individual and unique.
14. The most helpful aspects of the education of an up and coming executive are those courses or experiences which develop:
- a. An inquiring, experimental attitude and the ability to cooperate with others.
 - b. Steadfast moral principles, a personality worthy of respect, and the ability to reason well.
 - c. Good common sense, a concrete knowledge of his job and the larger business picture, and the ability to fit in well.

15. The most important ongoing problems of a fairly large business organization are concerned with:

- a. Such basic economic problems as financing; what, where, when, and how much to produce; markets, advertising, and channels of distribution; costs, profits, and efficiency. Most other problems can be solved if these basic ones are solved.
- b. Maintaining a healthy socio-economic system which promotes the cooperative effort of all involved. A wide variety of problems and policies relating to financing, personnel selection, experimentation and research, labor-management relations, and communication are interrelated in this over-all problem.
- c. The selection, training, promotion and discharge of personnel (especially of key individuals) and the formulation of clear and correct aims and policies. The right men and the right principles and policies will largely take care of the other problems.

16. The secret of good communication within an organization lies in:

- a. A structure and atmosphere that promotes

Know yourself, understand others

Smoother operations can be developed when you know your own and others' basic assumptions

Be sure to take test on page 32 before reading this article



AN EXECUTIVE'S philosophy—his basic assumptions—can shelter a hidden source of disagreement and friction within a management group that can greatly impair the effectiveness of an entire organization.

If he understands his own philosophy and can understand the significance of why he acts as he does, the executive can acquire a more valid basis for thinking and action, and can develop understanding of the actual causes of the behavior of people. If these factors go unrecognized, much of today's efforts toward management development, management selection and improving organizational efficiency may go unrewarded.

From various quarters, there is increasing conviction that management has much to profit by rubbing brain cells with philosophers. Dean Stanley F. Teele,

mutual understanding, common interests, free exchange of views, and cooperative work on problems.

- b. Getting people, especially those in leadership positions, who are intelligent and understanding, sympathetic and sensitive to other people, and interested in their work.
- c. Clarifying instructions and reports, developing generally accepted forms and terminology, and establishing customary paths for reports, order blanks, and instructions.

17. Concerning the relation between information (or facts) and knowledge (or ideas) in solving problems, I believe that:

- a. Reliable facts provide the only reliable knowledge or ideas we can have of things and situations as they actually exist independent of our desires, assumptions, purposes and other subjective conditions.
- b. It is improper to call that perception of things (facts), which even animals possess, by the name of knowledge. Knowledge is an intellectual process which comprehends what is perceived, and which sees more than the senses con-

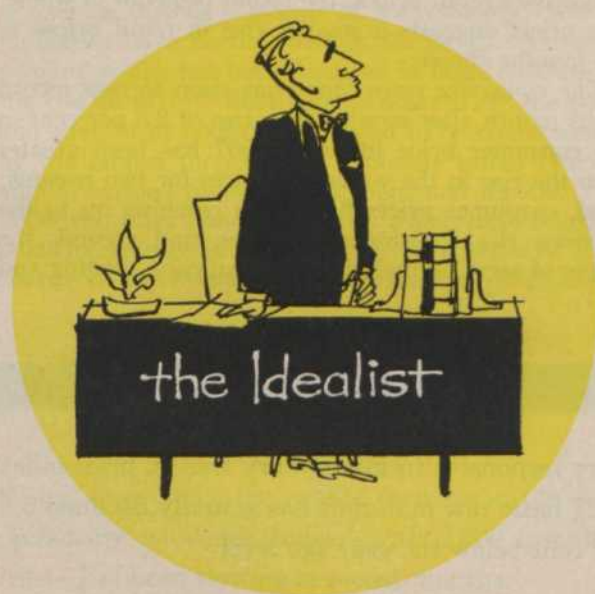
vey, and which invests perception with an idea.

- c. We always have ideas—hypotheses and assumptions—which help guide our search for facts and interpret the meaning of facts. Thus, in any real problem-solving, both facts and ideas are on trial and should be subject to verification by experience or experiment.

18. The dominant economic position of the United States is largely attributable to:

- a. An historically fortunate conjunction of a wide variety of social, ideological, political, and migration factors combined with favorable economic factors.
- b. Such factors as our free enterprise system, relative freedom from devastating wars, fertile land, favorable trade relations, and economic resources.
- c. A series of great leaders characterized by ingenuity and drive (Ford, Edison, etc.), and a people characterized, on the whole, by industry, thrift, and resourcefulness.

After you read the article below, "Know Yourself, Understand Others," see page 119 for scoring and interpreting your test results.



of the Harvard Business School, for example, in his evaluation of philosophy, says:

"A man's personal philosophy, his way of looking at the world and the men and women around him, determines his success as a manager of things and people more than any other single factor."

Philosophers say that one of the most basic and fundamental assumptions of a man is the way he looks at reality. It enters into much of his emotions, thinking and behavior. Here is a description of the tendencies of three people with different directing conceptions:

► **The realist** tends to look to nature for answers to his questions; he observes and lets the facts speak for themselves. Concerned with discovering natural

laws, he tends to be scientific, secular, and to explain man and his environment in terms of physical elements. He seeks the explanation of a thing by examining its physical parts. He envisions man as largely pushed by external forces. The natural world, he says, prods man with stimuli which have their own meaning and call for objectively correct responses. The realist extols individualism as it operates to bring about survival of the fittest . . . and he glorifies the natural man. To a realist, the important thing about a man is his ability to adjust to and use the laws of nature.

► **The idealist** may be of two major subcategories—religious or personal, and the latter may be atheistic. If the idealist has (continued on page 116)

WAGE DEMANDS FEED INFLATION

Do the current price trends foreshadow a new inflation spiral? Here's outlook

INFLATION has been called our number one domestic problem. The reason is easy to understand. Rising prices affect every consumer, every business and every unit of government. The key question today is:

► Do the increases in the price level in the past two years portend a further inflation spiral?

► The answer is: We are not now experiencing a major inflation. Moreover, the rate of increase appears to be slowing rather than accelerating and future inflation threats can be resisted.

To understand why this is so, it is necessary to review the record of price changes and the pressures which have been at work.

There are three price indexes which reflect inflation trends: the sensitive price index, the comprehensive wholesale price index, the consumer price index.

The sensitive price index covers 22 basic raw materials including such items as wheat, cotton, steel scrap, rubber, tin, and copper scrap. In the past, this index has been very responsive to inflationary trends. For example, in the seven months after the outbreak of the Korean war, the sensitive price index rose more than 50 per cent or several times as much as the rise in the more comprehensive price indexes. Similarly, during the Suez crisis, this index rose about five per cent in a few weeks. It is significant that despite the emphasis upon inflation, the sensitive price index was actually 5.5 per cent lower in September, 1957, than it was a year earlier.

The comprehensive wholesale price index covers more than 2,000 commodities, including finished goods as well as raw materials. From a low point of 109.9 (1947-49=100) in May 1955, the index rose to 114.4 in May 1956, 117.1 in May 1957 and 117.5 in October 1957. Clearly, the rate of increase in recent months has been slowing down. This index has risen less than one per cent since January 1957.

The movement of industrial prices is particularly interesting in light of the criticisms of industrial price policy made by the Kefauver subcommittee. These prices have changed as follows:

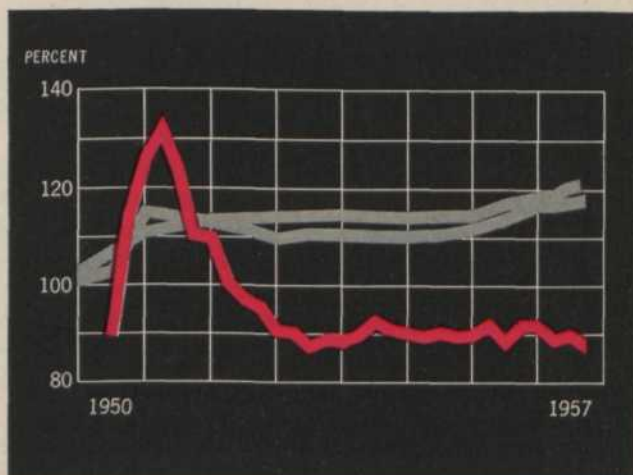
	(1947-49=100)
May 1955	115.5
May 1956	121.7
May 1957	125.2
October 1957	125.5

The latest figures include the effects of the steel price increase which has only a minor impact on the general price level. Industrial prices in 1957 have risen less than one per cent.

The changes in sensitive prices and wholesale prices provide no evidence of a new inflationary spiral. On the contrary, they show that the price rise has been slowing down and in many instances it is being reversed. Since yesterday's wholesale prices become tomorrow's retail prices, the recent behavior of wholesale prices suggests a smaller rise in retail prices in the months ahead.

The consumer price index has risen to new record highs month after month. The rise of 2.5 per cent in the consumer price index in 1957 has been greater than the rise in the wholesale prices for two reasons: First, consumer prices have been catching up to the previous rise in wholesale prices, and second, the prices of services, including medical care, reading and

Very responsive to inflationary trends, price index of 22 basic raw materials has actually declined 5.5 per cent below the year ago level



recreation, personal care, household repairs, etc., have been rising more rapidly than the prices of goods.

Increases in service prices have accounted for a major part of the rise in living costs in recent years. For example, since 1951, the prices of services have risen by almost 24 per cent while the retail prices of goods are up only about four per cent. Of the eight per cent rise in the consumer price index since 1951, approximately seven per cent has reflected the rising cost of services. In the service area, productivity tends to lag. Hence large rises in labor costs have been reflected in higher prices.

What factors account for the past rise in prices? A wide variety of explanations have been offered including:

- The business boom.
- Wage increases.
- High profits.
- Industrial price policy.
- Rising volume of private debt.
- Rising volume of government spending.
- Inflation of the money supply.

Each group has its favorite villain. However, an examination of the readily available facts suggests that there is a wide gap between the charges and the facts in many instances.

The business boom

The business boom in 1956-57 has had an uneven impact on various segments of the economy. Not all industries have participated in the sharp upsurge of demand which has been financed in large measure by the rise in private debt. Areas affected by the plant and equipment boom have tended to be characterized by the largest increases in wholesale prices (for example, various types of equipment and metals).

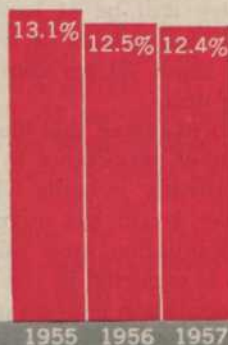
On the other hand, industries which have failed to participate fully in the boom have experienced little change or even declines (continued on page 64)



WAGE-PRODUCTIVITY INCREASES

Chart shows rise since 1939

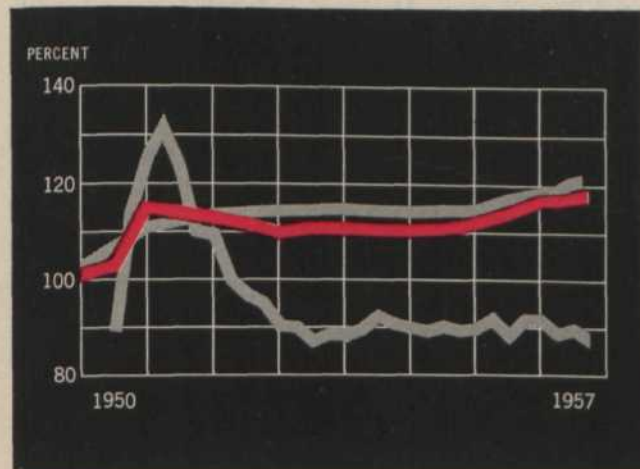
In past year output rose 2.7 %
Earnings went up 5.3 %



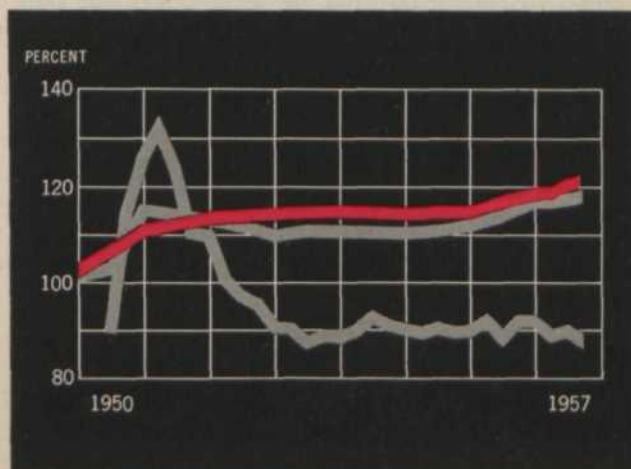
PROFITS BEFORE TAXES

keep slipping downward. Chart shows profits as percentage of national income

Rising since 1955, the rate of increase in the comprehensive wholesale index—with 2,000 commodities—has been slowing in recent months



Reaching record highs month by month, consumer prices reflect greater increases in prices of services than in the rate of increase for goods



EXPANDING MARKETS: THE OLDSTERS

Growing numbers of consumers over 65 make new, increased opportunities for business

IN THE next few years about one out of every 10 persons in this country will be at least 65 years old. Persons this age, as individuals or as heads of families, will comprise about 20 per cent of the nation's consumer spending units.

The market implications of this block of older consumers naturally are of importance to a host of industries. The impact already is being felt because since 1950 the 65-and-over group has increased by 22 per cent, while total population grew only 14 per cent. The older segment is expected to rise 18 per cent, by 1965, while total population goes up only 12 per cent.

Spending units consist of either an individual or a family which pools its money for purchasing. Such units that represent the 65-and-over age bracket numbered 9.5 million in 1950, 10.5 million this year, and are expected to reach 12 million by 1965.

While the older persons don't have the earning potential or capital that many younger consumers do, their savings, pension payments, social security and financial aid from relatives help provide a steady flow of purchasing power.

Persons 65 and over, along with families these oldsters head, will spend \$32 billion of the \$280 billion spent by consumers for goods and services this year. By 1965, the 65-and-over group should lay out \$45 billion of that year's expected \$390 billion in consumer expenditures.

Older people spend more of their money for such things as fuel, light, refrigeration, medicine, and food but less for household equipment, alcoholic beverages and transportation, for example.

The increasing older population will affect some market areas more than others, of course, as more old folks flock to warmer climates.

To look more closely at the 65-and-over market, here are some detailed statistics on the group:

Number

The 65-and-over population now totals 14.9 million, and is expected to reach 17.6 million in 1965, and 19.5 million in 1970, according to Census Bureau estimates. This group is now 8.7 per cent of total pop-

ulation, having grown from 4.3 per cent in 1910 and 6.9 per cent in 1940. It is expected to make up 9.2 per cent of the total population in 1965, and 9.4 per cent in 1970.

A steadily rising proportion of our population now attains the age of 65, thanks largely to modern medical treatment and lives longer thereafter. Of the approximately 4.4 million babies born this year, about



65 per cent of the boys and 80 per cent of the girls can expect to reach age 65, compared with actuarial estimates that only 40 per cent of the boys and 45 per cent of the girls born 50 years ago will attain that age. Men now reaching age 65 can expect 13.5 more years of life, and women 16 more years. Both figures are up about two years from those for persons who reached age 65 in 1940.

Geographic areas

While nationwide the number of persons aged 65 and over is expected to increase 18 per cent by 1965, Florida is expected to have a 35 per cent increase, California and New York 30 per cent, and Texas 25 per cent. Nevada's increase is expected to be 50 per cent, and Arizona's 40 per cent; but numerically these states are expected to add only 6,000 and 25,000 respectively.

Despite movements of many older persons to states with milder climates, the states with the largest proportion of their population in older age groups will continue to be the New England, Great Plains and



Ozark Mountain states. In 1965, sixteen states are expected to have 10 per cent or more of their population aged 65 and over—Vermont and Arkansas each with 12.7 per cent, and Maine and Iowa with 12 per cent each. States with the smallest proportion of older persons will continue to be southeastern and southwestern states, with Nevada having only five per cent, New Mexico 5.6 per cent, Arizona and Utah between six and seven per cent and Maryland and Georgia between seven and eight per cent.

Families and households

Persons aged 65 and over now total 14.9 million, including 7.7 million married persons. Married men total 4.8 million, and married women 2.9 million, reflecting the fact most married women are younger than their husbands. Widowers number 1.5 million,



and widows 4.4 million, due both to the younger age of the wives and the greater longevity of women. Single and divorced persons aged 65 and over total 1.3 million.

Thirteen per cent, or 5.8 million, of our families are headed by persons aged 65 and over, while many other aged persons live with children. Aged persons living alone, or with nonrelatives only, total 3.2 million, including 1.1 million men and 2.1 million women.

Employment

Thirty-five per cent of the men, and nine per cent of the women aged 65 and over are now at work.

While persons aged 65 and over constitute only five per cent of total employed persons, this group makes up 12 per cent of all persons engaged in agriculture,

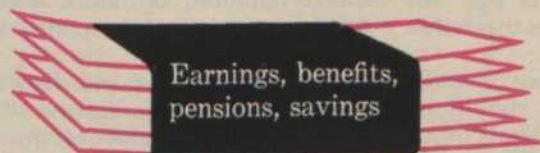


and 10 per cent or more of the clergymen, dentists, lawyers, physicians, real estate agents, locomotive engineers, blacksmiths, shoemakers, tailors, private household workers, janitors, elevator operators, guards and watchmen.

Income

Employment earnings, private pensions, social security, savings, and aid from relatives, all help maintain the older members of the population.

Employed workers and their wives constituted 28 per cent of those aged 65 and over, in December 1956, according to a survey of money income sources of the aged, conducted by the Social Security Administration. Fifty-eight per cent received Old Age and Survivors Insurance, Railroad Retirement, government employee retirement or veterans' benefits, and



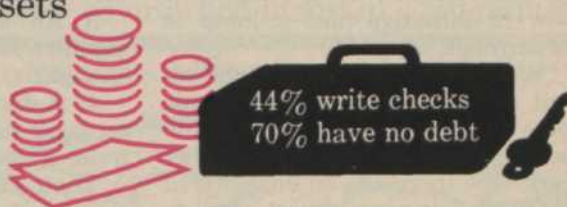
about one sixth of this group also received payments under private pension plans. Old Age Assistance was received by 17 per cent, and 10 per cent were living on savings or annuities, were supported by their children or were in public institutions. Thirteen per cent of the aged received payments from more than one of these three sources, usually employment earnings plus Old Age and Survivors Insurance.

Currently 6.4 million aged persons are receiving monthly Old Age and Survivors Insurance payments based upon their own past employment. These payments average \$63 per month, with 18 per cent of the recipients receiving between \$90 and the \$108.50 maximum monthly payment, while an additional 16 per cent receive at least \$75 per month. Other millions of aged persons receive somewhat lower payments as wives, widows, or parents of former wage earners. OASI will be a steadily increasing factor in the purchasing power of the aged, as year by year a larger proportion of the retiring persons will be eligible for benefits, and the average benefit amount will increase because the newly retired persons will have payments computed upon higher base period earnings.

Private pension plan recipients are also steadily increasing, but comprehensive data regarding them are unavailable. A Chamber of Commerce survey of 1,000 companies in 1955 showed that 75 per cent of the companies had pension plans, and the percentage of companies having plans, and the proportion of employees covered by the plans, is steadily increasing.

Incomes of \$7,500 and over, in 1956, were reported by four per cent of the families headed by persons aged 65 and over, according to a recent survey by the Federal Reserve Board. Twelve per cent of the families had incomes of \$4,000 to \$7,499, 21 per cent had \$2,000 to \$3,999, 33 per cent had \$1,000 to \$1,999, and 30 per cent reported incomes under \$1,000. However, the purchasing power of aged persons is somewhat greater than indicated by this distribution, as many aged persons are spending money saved in earlier years, and many received from relatives aid that was not in the form of cash. A large per cent of the spending of this group is for consumer goods, as many own their homes, and they pay a relatively small proportion of income for taxes. Social security and other retirement income is either tax free, or is taxed at reduced rates. Older persons also receive an additional exemption in computing federal income tax.

Assets



The Federal Reserve Board study shows that in early 1957 five per cent of the families headed by persons aged 65 and over had assets of \$25,000 and over, 13 per cent had \$5,000 to \$24,999, 26 per cent had \$1,000 to \$4,999, 23 per cent had \$1 to \$999, and 31 per cent reported no assets.

Nine per cent of this group owned corporate stock, 27 per cent had United States Savings Bonds, 47 per cent had savings accounts, and 44 per cent had checking accounts.

Seventy per cent had no debts, while five per cent had only mortgage debt, 20 per cent had only installment or other private debt and five per cent had both mortgage and private debt.

Sixty-four per cent of persons aged 65 and over own their homes, compared with 56 per cent in 1949. Five per cent live with

(continued on page 87)

YOU CAN CANCEL MOST MEETINGS

Knowing when not to hold meetings can save you time and worry. Here are tips you can use

FOUR OUT OF every five business meetings could be eliminated without being missed. Just how many hours that might return to you depends on your own situation.

One man who is close to the top management level in a large industrial company recently estimated that he spends 36 full days a year in committee meetings and eight days more getting ready for these meetings or summing up the results.

This is in addition to a liberal sprinkling of less formal group discussions. He says his greatest frustration comes not from the knowledge that almost 20 per cent of his working time is spent in unnecessary discussion but from the feeling that many of these things could be decided and done better by one man than by several.

Another man, whose company's performance in the past few years has been marked by a remarkable show of initiative and a jump in net earnings, says:

"We have no committees and almost no meetings in this company. Some years ago we had fallen into the habit of calling a group together every time there was an unanswered question. Our work almost came to a standstill. Nothing really progressive was ever undertaken. Every idea was watered down to the level of group compromise. Finally, an outside consultant showed us what was wrong. Since then we have run from the very word meeting."

Beyond doubt, some meetings are necessary in most companies. A great deal of valuable material has been written about how to plan and run them most efficiently.

But we can go a step further and see how many meetings could be avoided altogether—not just with a view to saving time, but for the more important reason that individual responsibility and action can produce more dynamic results.

The first step toward reducing the number of full-scale meetings and lesser business conversations is to set up a schedule of which subjects require group discussion and which can best be handled by one man. It may be a delicate matter to tell an executive that he has been calling too many meetings. But a generally circulated memorandum that suggests careful distinction between subjects for group and individual action produces the same result.

As a guide in preparing such a schedule, here are some of the questions for which a group is either essential or helpful:

1. Any real change of policy that deals with your products, quality, method of distribution, company expansion, personnel and similarly basic subjects.

2. A decision which may seriously affect the position or prestige of one or more managerial personnel.

3. An attempt to develop new product ideas or for other creative thought.

4. A dilemma that apparently has no good way out and that may require a completely fresh approach.

That, short as it seems, should be the extent of your positive list. The wording would vary from company to company to reflect special circumstances, but the principle of limiting meetings to subjects that are either fundamental or creative holds good everywhere.

It is not enough to say broadly that all other questions should be handled individually. That other group must be enumerated and a big DON'T affixed to it; otherwise, the old habit will slowly overtake you.

Here are the subjects that should not be foisted onto a group:

- Decisions, however extensive, dealing with production, distribution or expansion and coming within the framework of established policies.

- Authorizing expenditures, again however important, that fall within budgets already approved. This may seem obvious, but men have a tendency to seek the additional moral support of a group for their specific purchase decisions, even though the amounts are already provided for.

- Arrangements with suppliers, customers or other sources that do not deviate from the firm's usual policy.

- The reading of written reports which have been or can be circulated.

- Review of technical reports by administrative men who understand only the general ideas behind them.

(In one company the top men of each division—general manager, sales manager, controller, and production manager—sit through detailed presentations on technical subjects made by the research engineers. The excuse is that management must be familiar with progress made and with problems encountered in order to decide what new directions to take. A brief summary statement by the technical men would be adequate.)

- Rubber-stamping of ideas on which an appropriate executive has already made up his mind.

Aside from formal meetings, there is the more accidental type of business conversation that consumes a staggering total of hours. Equally great economies can be made on this time-waster.

The occasional sports discussion at the water fountain need not be eliminated, nor must we stop asking how each other's children are doing in school. Relaxation is fine and we need more of it rather than less.

But most men spend hours every day in what seem to be business talks, yet serve no useful purpose.

Not long ago, for instance, a colleague came into my office and began: "You know, I have quite a problem with Arnold Smith. He's

not really doing a job for us, but I'm just wondering whether he shouldn't be given a chance in the shipping department, rather than letting him go entirely."

We spent 45 minutes discussing the pros and cons of such a transfer. This may seem to be a worthwhile subject for consideration. Unfortunately, though, neither Mr. Smith's present department nor the shipping department came under my control. My colleague was just seeking moral support before proposing the change.

We've all heard a great deal of advice about saving time with shorter phone calls and letters, but our personal talks in the office are perhaps the biggest hole through which precious time pours. Here again, as in the case of full-scale meetings, we start talking in the vague hope that some clear result will emerge from a combining of multiple confusions. It seldom does. The reverse should be our pattern: to begin a discussion only when and if we have a definite idea of what must be arrived at and a firm purpose in asking others to take part.

Most businesses would benefit from the establishment of two broad customs:

First, that each man should think his own problems through before carrying them to others.

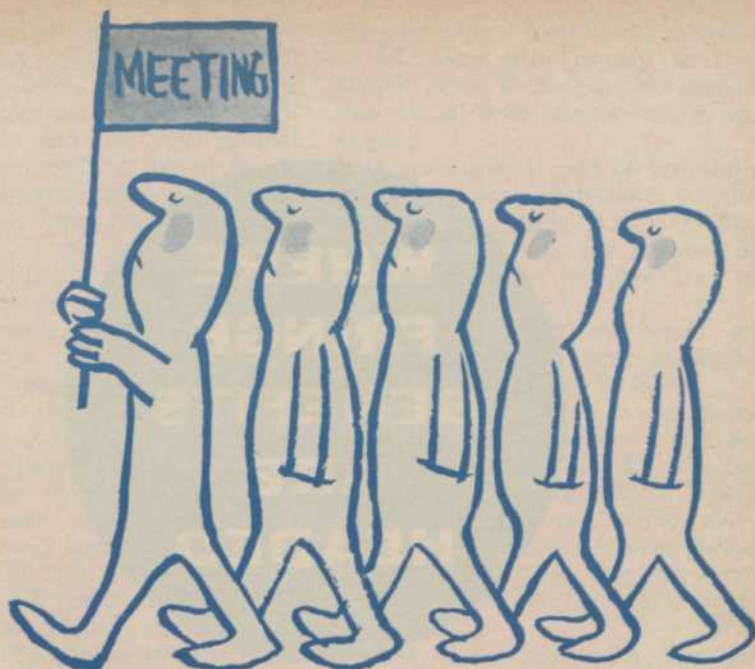
Second, a rule of courtesy limiting the hours when executives drop into each other's offices. It is usually best if this is confined to the afternoon hours, since most men prefer to get correspondence and phone calls out of the way without interruption in the morning. Deviations from the custom should be as few as possible, and an advance phone call should precede them.

Most men agree that these methods of cutting down on meeting and discussion time can save countless hours. But the feeling may linger that something basic will be lost—that meetings provide so much in the way of idea exchange that their disadvantages are far outweighed.

Let's look, then, at why we have meetings in the first place. There are just two important reasons:

First, they are supposed to generate new thinking. This is, beyond doubt, a valid reason. We have all seen how discussion by a group can sometimes mold a wild or impractical suggestion into a workable plan. No amount of lone thinking could accomplish this, because we hold on to our own first ideas as lovingly as to our own children. That's why creative sessions of any kind have a place on our list of subjects.

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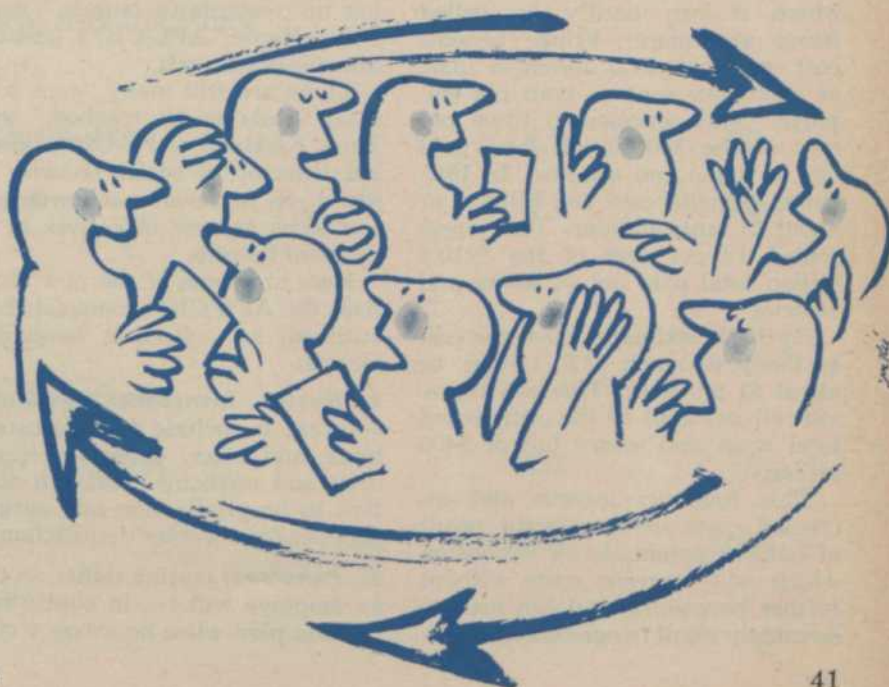


Have a real purpose for mustering a meeting



Good ideas may be drowned in group compromise

Multiple confusions seldom mean clear results





WHERE FRINGE BENEFITS ARE HEADED

Here's how costs rise as built-in features expand benefit plans in these four ways

A CLOSE look at the rising cost of employe fringe benefits reveals how they spread and grow in four dimensions at the same time:

- ▶ In new types of benefits.
- ▶ In higher cost of existing benefits.
- ▶ In increased duration of benefit payments.
- ▶ In increased number of individuals covered.

The share of total labor costs made up of so-called fringe benefits actually has reached the stage where it can hardly be called fringe any more. Fringe benefits cost employers \$1.5 billion in 1929, or about one cent an hour per employe. This represented three per cent of the \$50 billion total paid out in wages and salaries. In 1955 fringe benefits cost \$36 billion, or about 25 cents an hour. This represented 17 per cent of the \$210.3 billion total paid out in wages and salaries.

By 1975, estimates show the cost as likely to reach \$120 billion, or about \$1 an hour. This will represent 30 per cent of the anticipated total wage and salary bill of \$400 billion.

This four-way growth and increased costs are largely the result of built-in potentials for expansion which will increase costs without further bargaining and can make a seemingly small fringe benefit event-

ually cost more than a direct hourly wage increase. These almost automatic increases are viewed by some as presenting a much greater threat to costs than negotiated benefits.

Even so, labor economists, though asserting that the postwar fringe binge is just about over, are not slackening their enthusiastic search for still more costly expansion of fringe benefits of one kind or another to add to the steadily growing list.

"Americans don't believe in resting on yesterday's laurels," warns Peter Henle, AFL-CIO's assistant director of research.

There are still many "gaps to be filled, goals to be reached," adds Lane Kirkland, AFL-CIO's assistant director of social security research, as he reviews achievements, and aims at new objectives in retirement benefits.

Here are some of the new objectives the AFL-CIO economists have outlined as collective bargaining targets:

1. Health insurance: broadened coverage to include doctor's care at home and office, dental care, and drug and medicine needs, in addition to hospitalization and surgery benefits, for a worker's entire family.

2. Pensions: vesting rights, so that an employe will retain equity in a pension plan when he leaves a com-

pany before retirement; medical protection after retirement; continuation of pension payments to widows of pensioners.

3. Increased leisure: longer vacations and more holidays as well as shorter daily or weekly working hours.

The situation is alerting more employers to the potential dangers of trading off what may seem at first to be an innocuous fringe benefit for some concession in hourly wage demands without careful study of the future consequences through built-in cost increases which are not the direct result of bargaining.

Fringe benefit costs usually are divided into two general groups.

One includes legally required payments for employe security, such as old-age and survivors' insurance, unemployment and workmen's compensation, and the cost of private welfare benefits, such as life and health insurance and pensions.

The U. S. Department of Commerce reports that between 1929 and 1956, the cost to employers of this kind of benefit rose to more than 23 times what it was—from \$500 million to \$11.7 billion, and from one per cent to six per cent of total wages and salaries. The increase from 1955 to 1956 alone was almost \$1 billion, or about 10 per cent.

The second group covers other labor costs not reflected in the hourly pay rate, and usually involves pay for time not worked. It includes paid vacations, holidays and sick leave; paid rest and lunch periods; pay for travel time, clean-up, coffee breaks, supplemental unemployment benefits; severance pay; call-in pay; paid time off for jury duty, voting, funeral leave and other necessary absences; pay for reservists on active military duty; profit-sharing plans, and other benefits.

The two groups together make up the total fringe benefit costs which passed \$36 billion in 1955 and are expected to reach \$120 billion by 1975.

Here is an illustration of how the built-in four-way expansion of a fringe benefit can occur:

A company which was paying hospitalization insurance costs for its 500 employes recently agreed in a union contract to pay the cost of both hospitalization and surgical-medical coverage for pensioners.

Previous voluntary payments by the company for such coverage did not amount to much. There were only 13 pensioners, and the cost came to only .0012 cents per hour when averaged out among the 500 employes. This seemed to be an in-

significant part of a 10-cent wage-increase package. A little study shows, however, the four dimensions in which cost increases can take place.

Consider first the possibilities in two dimensions, type of benefit and unit cost. In 1942, when this company's surgical benefits plan for employees was started, the combined family coverage for combined hospitalization and surgical benefits was \$48 a year. The rate is now \$134.40 a year, an increase of 180 per cent. For an individual under a group plan, the increase has been 160 per cent.

The boost came about because of an increase in hospital costs, new benefits and a rise in the number of older persons that are in the covered group.

A third dimension in which this fringe benefit can expand is in the duration of premium payments for the coverage. Advances in medical

science are extending life expectancy. Today a person retiring at 65 can expect to live another 15 years. This life expectancy after retirement is bound to increase with normal progress in medical research. If the increase over the next 15 years is, say, only three years, this will represent a 20 per cent increase in retirement life and a 20 per cent increase in the cost of this benefit for the pensioned group.

The fourth dimension is in the number of pensioners covered. Actuaries figure that with a stable business and work force over a period of 15 to 30 years, depending on the average age of the employees, an employer can expect to have one fourth as many pensioners as he has employees. If this is true, the company with 500 employees could have about 130 pensioners at the end of 15 years. The number of pensioners will increase tenfold, from 13 to 130.

Looking ahead, here is how much

this company's costs could increase in 15 years with respect to this benefit alone if the possible expansion in all four dimensions is totaled:

Present annual cost of hospitalization and surgical benefits for the 13 pensioners is about \$1,200. The tenfold increase in the number of pensioners would increase this to \$12,000.

The increase in unit costs, an average of about 170 per cent, would push the figure up to \$32,000.

The 20 per cent increase in retirement-life expectancy would require payment of the \$32,000 for three years longer. This would bring the annual cost, when averaged over the present 15-year period of expected retired life, to more than \$38,000. Today the cost is only \$1,200.

Cost of holidays with pay, for example, can increase in three di-

(continued on page 48)

GROWTH OF FRINGE BENEFIT PAYMENTS (Cents per hour)

Type of payment	1929	1955	1975 <i>estimated</i>
1 Legally required payments	.3¢	4.5¢	20¢
a. Old-Age and Survivors Insurance		2.3	10
b. Unemployment Compensation		1.2	5
c. Workmen's compensation	.3	.8	2
d. Other legally required payments		.2	3
2 Agreed-upon payments	.1	5.5	25
a. Retirement pensions	.1	3.3	15
b. Life, hospitalization, medical care insurance	*	1.7	8
c. Other agreed-upon payments	*	.5	2
3 Rest periods, paid lunch periods, etc.	.4	4.5	20
4 Payments for time not worked	.2	8.8	30
a. Paid vacations	.1	4.5	15
b. Paid holidays	.1	3.0	10
c. Paid sick leave	*	1.2	4
d. Other payments for time not worked	*	.1	1
5 Bonuses, profit-sharing, other benefits	*	1.7	5
Total fringe benefits	1.0¢	25.0¢	100¢

*Payments less than 1/20 cent per hour

Source: Chamber of Commerce of the U.S.

HOW'S BUSINESS? today's

An authoritative report by the staff of The Chamber of Commerce of the United States

AGRICULTURE

The latest headache in agricultural surpluses is the fear that current record high supplies of feed grains will lead to another round of expanding livestock production and subsequent price declines. The most pressing danger is in the expected upsurge of next spring's pig crop which would cause pork prices to tumble by late 1958.

Efforts to forestall adverse expansion of livestock numbers has resulted thus far in two government actions: 1, the release of a special report by the U. S. Department of Agriculture on "The Current and Prospective Hog Situation," and, 2, the announcement of a support price for noncompliance corn grown in the commercial area and higher supports for noncommercial corn, other feed grains and rye, as required by law.

The aim of the first is to promote a greater understanding of the price risks involved among producers, and of the second, to stabilize feed prices. Both are attempts to prevent the feed grain bulge and its attendant lower prices from stimulating excessive livestock production, especially hogs.

CONSTRUCTION

New construction activity continues in strength, with the third quarter the most active on record.

New housing at the quarter's end had slowed its decline from last year.

Builders responding to a survey by the National Association of Home Builders indicate expectations of a 16 per cent increase in housing starts next year and at prices about this year's level.

The next session of Congress will take a new look at the housing and urban renewal programs of the federal government. Various commit-

tees already have begun or planned their preliminary investigations.

A House banking subcommittee has held hearings on home financing and related issues and will hold further hearings on slum clearance and urban renewal programs.

On the Senate side, a banking subcommittee is scheduling hearings for a number of cities on slum clearance and urban renewal.

The Joint Economic Committee will hold hearings to determine whether federal programs for housing and urban renewal are accomplishing their intended purposes.

CREDIT & FINANCE

Some ripples in the economy are anticipated during the remainder of 1957.

Over-all business is expected to continue robust. A long-run increase in gross national product approaching five per cent per year is being predicted over the next five years.

Pent-up consumer demands will continue to buoy up the economy. Homes, soft goods, and other consumer goods should carry over high demand levels into next year.

Business expenditures on plant and equipment are beginning to decline slightly from the record \$37 billion of this year.

Interest rates have held firm the past month, with short-term government issues requiring the same interest as long-term securities.

Outstanding loans of the leading banks have recently dipped slightly below the corresponding period of the past year.

Total government and private debt now stands at \$683 billion, about 68 per cent more than in 1945.

DISTRIBUTION

With demand holding strong, goods are moving over store counters at a steady pace—keeping sales

dollars above the 1956 level of sales. The U. S. Department of Commerce reports personal income rising six per cent higher in dollars than 1956, and about two per cent more in buying power.

The solid underpinning of purchasing power is expected to maintain sales volume for the rest of the year, ending up with still another record sales year.

According to data for summer, 1957, the ratio of retail sales to disposable income has advanced from the 1956 average of 66 per cent to about 68 per cent.

All major nondurable groups have scored gains thus far in 1957. Current department store sales hold a slight edge over last year's level. The Federal Reserve Board Index shows department store inventories about two per cent above last year's stock. New orders from retailers to dress manufacturers are up eight to 20 per cent.

Sales by furniture and appliance stores cling to about the same averages as last year.

Prices are still playing an important role in the dollar rise, but half of the relative sales gain over a year ago represents a hike in real volume.

FOREIGN TRADE

Direct investments of private United States capital are going abroad at an unprecedented rate. With aggregate value of approximately \$22 billion, it has virtually doubled in the past seven years.

U. S. owned subsidiaries and branches abroad are now manufacturing some \$40 billion worth of goods, or more than three times the value of manufactured goods exported from the United States in 1956. This is a reflection of the continuing expansion in foreign operations of American business.

The significance of this tremendous postwar growth in direct investment and production abroad and its impact on living standards is only now becoming fully apparent.

A recent report of the Department of Commerce on U. S. private foreign investments indicates total earnings of \$3.4 billion in 1956 as against \$3.1 billion in 1955. Direct investments earned \$3.1 billion, a rise of close to \$300 million over the year before.

Undistributed profits of foreign

outlook

subsidiaries are an important factor in financing the expansion of such investments aboard.

GOVERNMENT SPENDING

More major decisions may be expected this month on budget programs in the defense field. These will come in the wake of those made immediately following the launching of the Soviet satellite. However, they will be more reasoned and will be oriented toward fundamentals and the long pull.

The familiar battle between conventional and new types of weapon systems will be waged again in deciding on programs to be included in the fiscal 1959 budget. The relative emphasis to be placed on each must be decided once more in light of the military implications in "Sputnik."

The Bureau of the Budget and the President will have an even harder job. They must weigh again the relative values of various foreign and domestic programs against defense requirements. Then there's inflation and the need for tax relief.

Subsidies for certain special interests and plans for the expansion of the national government's activities on the domestic front may well fall as a result of the fiscal tightrope which must be walked. Unfortunately, past fiscal habits will make the job more difficult.

LABOR

The support publicly given by the AFL-CIO to the Senate's labor racket hearings may develop into sharp opposition when the committee schedules hearings on union secondary boycotts, violence, use of dues money (collected under compulsion) for political purposes, and other practices of organized labor.

A portion of this phase of the McClellan committee's work is in the investigation stage, and hearings on union secondary boycott practices may be scheduled before the end of the year. Committee investigators have been interviewing boycott victims and union leaders for the past two months.

Although statements of the AFL-CIO have supported the Senate committee, there has been unrest among subordinate officials. The usual clichés of "union busting" and

"antilabor" will be dragged out as soon as the Senate investigation goes beyond the embezzlement of welfare funds. Union-elected congressmen also will almost surely begin to complain that the committee is no longer a constructive force and that its work should be ended.

NATURAL RESOURCES

Pressure to put the federal government into the outdoor recreation business is growing. One bill before Congress would establish a national wilderness preservation system, setting aside wild land areas exclusively for hikers, campers, and other nature lovers. All other uses, including resource development, would be barred.

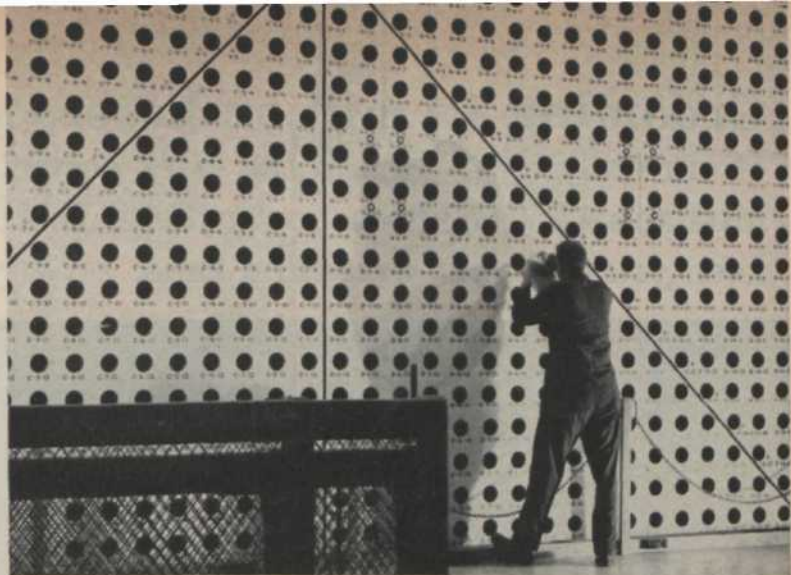
Another would introduce federal financing of wildlife and recreation development in connection with flood control and reclamation projects. All taxpayers would foot the bills for these added features of federal water resources development projects.

State and local agencies although limited by inadequate appropriations, are already developing an increasing number of park and recreation areas.

More and more private companies which own land and water acreage are also opening up their lands to public use. At least two surveys are under way to gather information on the extent of such private development for public recreation.

TAXATION

The Midyear Review of the Federal Budget, discussed under Government Spending, presents a somewhat less than rosy picture for those who believe tax reduction is long overdue. It does not, however, preclude such reduction based upon either political realities or economic need.



URANIUM CHARGING HOLES, BROOKHAVEN ATOMIC REACTOR—FROM AUTHENTICATED NEWS

True to tradition, the Review quite obviously underestimates total receipts and the January Budget can be expected to provide a partial correction. By that time, also, the expenditure picture will be more clearly defined.

Expressions of disappointment, in several degrees of poignancy, have come from key members of both parties. This once again points up the bipartisan nature of the demand for tax reduction.

The January hearings of the Ways and Means Committee will provide a convenient forum for the debate which will begin even before the President's Budget Message can be given.

From the number of requests already made for time to testify, it is quite apparent the single month now scheduled will be filled to overflowing.

TRANSPORTATION

Congress next year will be urged to give priority attention to four issues found to be of major concern by firms in the transportation industry.

The first session of the Eighty-fifth Congress gave transportation issues considerable time and attention and the second session probably will see a continuation of this interest in the several proposals still pending.

In a special U. S. Chamber of Commerce survey, 1,000 transportation firms listed these as the issues of greatest concern to them:

1. Repeal of the excise taxes on transportation and communications.
2. Reduction of government competition with private business in the air transport field (Military Air Transport Service).
3. The elimination of the postal deficit.
4. Clarification of the agricultural exemption in the Interstate Commerce Act.

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CANCEL MEETINGS

continued from page 41

Second, meetings are supposed to lead to sounder decisions by bringing in more opinions. This is one of those false premises we accept because it has been around so long. Too often, the opposite is true.

Funnel several good men, each possessed of a good share of sound judgment, into a committee room, mix thoroughly, and what do you have? Even more sound judgment? Not usually. In most cases, each one tends to rely on the opinions of the others and to exert less individual care. The more confidence he has in his colleagues, the stronger this reaction. As a result, a group of competent executives may make mistakes that no single one of them would commit alone.

An important manufacturing company, for example, recently found its cash position seriously hurt because of a 50 per cent error in estimating the cost of a new southern plant. Instead of the estimated \$6.4 million, the total disbursement finally reached \$9.7 million.

This came about not through any single miscalculation, but as a result of many oversights. The group of managers who ran this project should have spotted every one of them but the incentive to be cautious was missing—the incentive of fear, we might call it. If any one of these men had known that he had sole responsibility for the estimate (and if he, in turn, had subdivided that responsibility strictly among appropriate individuals) then sheer awe of the consequences would have compelled a more precise attitude.

So the major consideration in deciding when to meet should be not merely the amount of time involved (though the savings can be enormous), but the ensuring of highest performance. A single executive, properly selected for a job and specifically charged with carrying it out, will have more to gain, more to lose, and therefore more concentrated enthusiasm than any group of two or more men.

A company that tries this principle will soon find that its executives have less crowded schedules, more time for both planning and doing, and more personal ability than anyone had ever imagined.

—CHARLES A. CERAMI

REPRINTS of "You Can Cancel Most Meetings" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.



What would your secretary say?

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Aside from the fact that the prizes are plentiful and well worth shooting for, you and your secretary will find this contest educational. For what boss wouldn't like to learn how he can skip hours of paper work? And what secretary wouldn't be happier with far less typing?

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2. Send in as many entries as you wish. Write plainly or print each entry on an official entry blank, such as the attached coupon or blanks obtained at Kodak Verifax dealers. All entries must be postmarked no later than December 1, 1957 and received no later than December 10, 1957.

3. Entries will be judged on originality, humor, and aptness of thought by the Reuben H. Donnelley Corp. Duplicate prizes in case of ties. Judges' decision final. Entries, contents, and ideas therein become the property of Eastman Kodak Company for any and all purposes. No entries returned. All entries must be the original work of contestants and must be submitted in their own names. Employees of Eastman Kodak Company, its

direct dealers, and its advertising agencies are ineligible.

4. This contest is subject to all federal, state and local regulations. Contest winners will be notified by mail. A complete list of winners will be mailed approximately eight weeks after close of contest to any person who requests it and sends a stamped, self-addressed envelope to Eastman Kodak Company, Box 114, Mt. Vernon, N. Y.

-----MAIL COUPON TODAY. Contest closes Dec. 1, 1957-----

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Gentlemen: I'd tell my boss: _____

Name _____ (answer in 20 words or less)
I'm employed by _____

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56-11



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Its name indicates its character!

FRINGE BENEFITS

continued from page 43

mensions as wages go up, the number of employees getting holidays increase, and more holidays are added to the list.

In many major industries employees are now getting seven holidays with pay. Some are beginning to get a roving extra holiday for such diversified reasons as to provide a four-day weekend when a normal holiday falls on a Tuesday or Thursday, for an employee's birthday, or for getting a permanent wave.

General Motors Corporation recently announced that it paid its hourly workers \$66 million in vacation pay last summer. The average vacation pay check was \$185. Figures are not available on what paid vacations cost General Motors in earlier years, but an idea of the scope of the increase appears in this comparison:

In 1940, when paid vacations went into effect for hourly workers, vacations were just one week, with 40 hours pay at a basic hourly rate of about \$1, or \$40. Today a General Motors assembly-line worker can get up to three weeks' vacation, with pay at an hourly rate of \$2.12, or \$254.40.

A classic example of how the cost of a fringe benefit can zoom, once the benefit is established, is the well publicized welfare and retirement plan of the United Mine Workers. The federal government instituted the plan in 1946 after it had seized the bituminous coal mines because of a strike. It provided for a relatively modest contribution of five cents into the UMW Welfare and Retirement Fund for every ton of coal mined.

The royalty was increased to 10 cents in 1947, 20 cents in 1948, 30 cents in 1950 and 40 cents in 1952. Total annual contributions by coal operators have risen from \$42 million to more than \$155 million. In the anthracite industry operators contribute 50 cents a ton to another fund for hard coal miners.

The newest major fringe benefit with growth potentialities is the supplemental unemployment benefit, which was introduced in the automobile industry two years ago and has spread to steel, aluminum, can, glass, shipping, construction and other industries.

Employers in most cases are putting five cents an hour per worker into an SUB fund. Benefits are paid to laid-off employees as a supplement to unemployment benefits they receive from state unemploy-

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FRINGE BENEFITS

continued

ment funds, which funds also come from employers through a payroll tax of up to three per cent.

In the basic automobile plan, unemployed workers who meet certain qualifying conditions receive from the SUB fund a weekly pay supplement, not to exceed \$25, which will give them a combined state-private benefit of 65 per cent of their weekly take-home pay for four weeks and 60 per cent for the next 22 weeks, or a maximum of 26 weeks.

During the first two years, the industry has put more than \$119 million into the funds. The United Automobile Workers, however, has announced it will seek improvements in the SUB plans which no doubt will increase the cost to employers if adopted. The UAW's ultimate goal is a full guaranteed annual wage, and some progress in this direction already has been made by other unions which have been able to win more liberal benefits in some aspects of SUB.

In the can industry, for instance, the United Steelworkers have obtained unemployment supplementation for 52 weeks, instead of 26, and at a uniform level of 65 per cent of weekly take-home pay for the entire period. Minimum requirements for qualifying are stiffer, but progress has been made toward the objective of a full guarantee for those who qualify.

An idea for handling many of the benefits through an all-purpose reserve fund has been worked out by Edwin Shields Hewitt & Associates of Libertyville, Ill., management benefit consultants. It has the advantage of controlling total costs and getting the maximum dollar value and is similar to thrift plans developed by General Electric, Du Pont, major oil companies, and others.

One application of the idea in an Ohio manufacturing plant combines profit-sharing and employee incentive. It works this way:

Each year, the company sets aside 15 per cent of its profits before taxes. From this, it first pays the current costs of benefits for death, disability, health care, past-service retirement and total-and-permanent disability. What's left goes into a profit-sharing trust fund and is allocated to the individual accounts of the employees on the basis of length of service and annual pay.

The money in an employee's account is paid out in full if he dies, retires or becomes disabled. The

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When Bob Hope shoves out that chin and tosses out those wisecracks, you can hear the crowd roar a mile away. Noise like that pays off at the box office—but noise in a business office is poison. It makes errors mount... it costs cold, hard cash.

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Big Profit Opportunities

right now in booming home and motel pool markets. Pool heaters and advanced design, all-concrete, simple construction bring year-round volume sales.

Coast to Coast NBC-TV program on 200 stations right now to sell pools during lush Fall selling season.

Millions spent on 1957 program in LIFE, BETTER HOMES & GARDENS, TV, RADIO, etc., provide springboard for more millions planned in 1958.

New Motel Program offers wide-open profit opportunities starting at once with fast sales to leads from our trade advertising and mailings.

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You'll recognize Esther Williams Swimming Pools by their unique advanced design, pure sparkling water and custom tailored beauty . . . at homes, motels, clubs and model houses everywhere.

FRINGE BENEFITS

continued

employee may borrow from the account in certain emergencies. If he leaves the company before retirement, he is entitled to 10 per cent of the value of the account for each year he has been under the plan. He is entitled to the full amount after 10 years. Employees are permitted to contribute to their accounts if they so desire.

The company sees these advantages in the plan:

1. The cost is more controllable than under a stereotyped program.
2. The cost is correlated with earnings—increasing as profits go up, decreasing as profits drop.
3. The plan inevitably reflects the mutuality of interest of everyone in the company and consequently can serve as a basis for achieving better understanding of the company's operations, markets, competitive position, and financial status.

The company feels it is too early to make any claims for what such a program may achieve, but that its existence presents a distinct challenge to management to keep employees informed, ascertain their attitude toward their work experience, and formulate personnel policies and programs intended to improve performance. Existence of the plan may help increase acceptance of policies and programs.

A member of the Hewitt consulting firm who helped work up the plan for the Ohio company says it was designed to bring a group of unrelated benefits into one package and to add some new dimensions based on the concept of partnership.

"This partnership involves not only participation in profit," he says, "but also some responsibility for the way in which a portion of the profit is used."

He warned, however, that this program is not universally applicable, and that it was designed as an experiment based on conditions existing in the company. One of those conditions was a 15-year experience with a production bonus.

PERSONS COVERED BY PRIVATE RETIREMENT PLANS

End of Year	Million persons
1930	2.4
1935	2.6
1940	3.7
1945	5.6
1950	8.6
1951	9.6
1952	10.6
1953	11.7
1954	12.5
1955	13.3
1956	14.3

Source: Social Security Administration

GROUP LIFE INSURANCE - AVERAGE AMOUNT PER EMPLOYEE COVERED

Year	Average amount
1947	\$2000
1948	2300
1949	2400
1950	2500
1951	2600
1952	2700
1953	2800
1954	3000
1955	3200
1956	3400

Source: Life Insurance Fact Book

Government benefit programs show a tendency to expand, too, once they are begun. Social security has expanded in the number of employees covered and in the size and type of benefits. At the same time, the cost to both employers and employees has steadily increased in the rate of social security taxation and in the amount of wages taxed.

Further expansion of benefits is contemplated next year, and some will likely get through because it is an election year, although social

UNION LEADER SAYS:

Present insurance plans, at best, cover only one third of the average family's health service bill, and we are trying to get benefits extended to cover about another third

Walter P. Reuther, President, United Automobile Workers

security is heading for its first year of deficit operations, with outgo exceeding contributions.

Organized labor is backing the Forand bill in the House. It would increase all social security benefits 10 per cent and add hospital, nursing and surgical care to the program. To help meet the extra cost, the taxable wage base would be increased from \$4,200 to \$6,000 a year and the tax rate for both employer and employee would be increased from $2\frac{1}{4}$ per cent to $2\frac{3}{4}$ per cent in 1959. Benefits would go up two months after passage of the bill, but the tax increase would be put off until after the 1958 elections. Present schedule calls for the tax increase to take effect in 1960, even without further social security expansion. For self-employed persons, the rate would go up from $3\frac{3}{8}$ to $4\frac{1}{8}$ per cent.

In dollars, the combination of higher taxable wage base and higher rate would mean an increase in the maximum tax by \$70.50 a year, from \$94.50 to \$165 each, for both an employee and his employer. For a self-employed person the increase in maximum tax would be \$105.75, from \$141.75 to \$247.50. Even with these increases the amount collected would fall 15 per cent short of the additional costs, social security actuaries estimate.

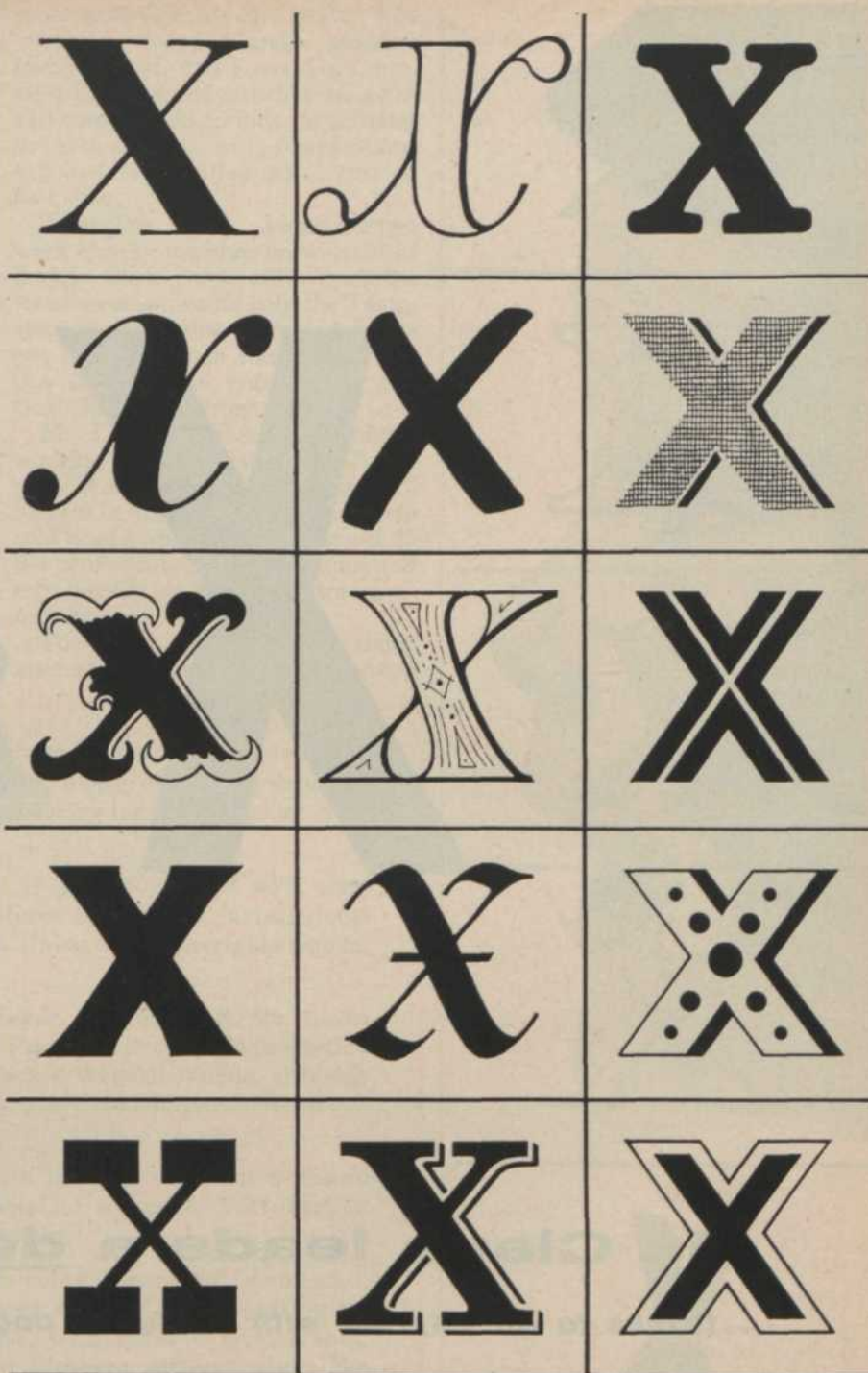
Fringe trend in Europe

PAID VACATIONS, employer contributions to family allowances and social security, housing subsidies, and other so-called fringe benefits add about 50 per cent to labor costs in Europe.

This is revealed by preliminary results of a fact-finding study conducted by the International Labor Organization among 8,000 employers in eight industries.

They show that, in 1955, the cost of wage supplements in nine European countries covered by the study range from 11 to 46 per cent of total labor cost, as follows:

Yugoslavia	46	per cent
Italy	42	"
Austria	31	"
Greece	30	"
France	29	"
Turkey	29	"
West Germany	26	"
Belgium	22	"
United Kingdom	11	"



What does "X" mean to you?

- ☐ The unknown
- ☐ Kiss in a love letter
- ☐ Multiplication sign
- ☐ Where the treasure is buried
- ☐ Last letter in "Sex"
- ☐ Railroad crossing
- ☐ Legal signature

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NEW ALLIANCES

continued from page 31

But Mr. Lewis probably would be interested in an alliance with Mr. Bradley's ILA and James R. Hoffa's Teamsters, if the Teamsters are expelled.

The United Mine Workers made a loan of about \$400,000 to the ILA after the latter's expulsion from the AFL in 1953 on charges of harboring corruption. The ILA was to become a division of the miners' union, but the deal fell through and Mr. Lewis reportedly has not yet got back the \$400,000.

Mr. Hoffa, hoping to enlarge his control over transportation, tried to set up a working alliance with the ILA last year by offering the East Coast dock union \$400,000 to repay Mr. Lewis. The money was to come out of funds of the Central, Eastern and Southern Conferences of Team-

sters controlled by Mr. Hoffa. The offer was dropped under pressure from the AFL-CIO Executive Council, which pointed out that the AFL-CIO constitution forbids its affiliates to make alliances with organizations expelled from either AFL, CIO or AFL-CIO.

Teamsters and longshoremen work closely together on waterfront docks. Close cooperation from the longshoremen would help the Teamsters in organizing nonunion truckers, particularly in the South. The ILA controls the entire East and Gulf Coast waterfront.

Mr. Lewis, in turn, would find a working agreement with the Teamsters, if and when they are expelled, helpful in organizing nonunion strip coal mines which produce almost 25 per cent of total soft coal output and rely heavily on trucks for transportation.

The UMW chief is not so much interested in increased membership

1935—John L. Lewis leads his United Mine Workers and nine other unions out of AFL to form CIO and open organizing drives in automobile, steel and other mass producing industries. Issue: craft vs. industrial unionism.

1941—Machinists' Union begins 10 year boycott of AFL, complaining that AFL refused to enforce the union's jurisdictional rights in dispute with Carpenters' Union over millwrights who install machinery.

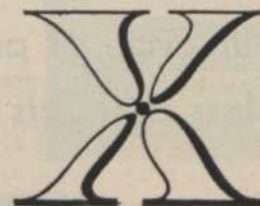
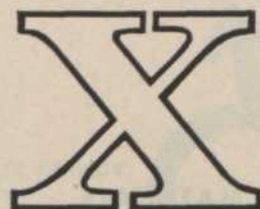
1942—UMW quits CIO. Break began in 1941 when Mr. Lewis resigned CIO presidency following President Roosevelt's re-election to a third term. Mr. Lewis had backed Wendell Willkie, although in 1936 he had put \$500,000 of CIO money behind Roosevelt second-term campaign.

1947—UMW, having rejoined AFL in 1946, pulls out a second time because of Mr. Lewis' refusal to recognize Taft-Hartley law and sign noncommunist affidavit.

1949—CIO expels 11 unions as being communist dominated. Seven go out of existence through mergers or absorption by other unions. Four remain active, with reduced membership. They are: the United Electrical Workers, against whom the CIO built a rival union around right-wing UEW locals; Mine, Mill and Smelter Workers, whose area the United Steelworkers has tried to take over with little success; Harry Bridges' International Longshoremen's and Warehousemen's Union, whose supremacy on the West Coast has not been challenged; the American Communications Association, whose membership is confined to New York City employees of Western Union.

1953—AFL expels International Longshoremen's Association as being dominated by corrupt influences. A rival International Brotherhood of Longshoremen is chartered by the AFL, but it has failed to make much headway, having lost two elections to ILA in New York harbor.

AHEAD—Six AFL-CIO unions face possible expulsion on charges of corruption: Teamsters, United Textile Workers, Bakery Workers, Laundry Workers, Distillery Workers and Allied Industrial Workers.



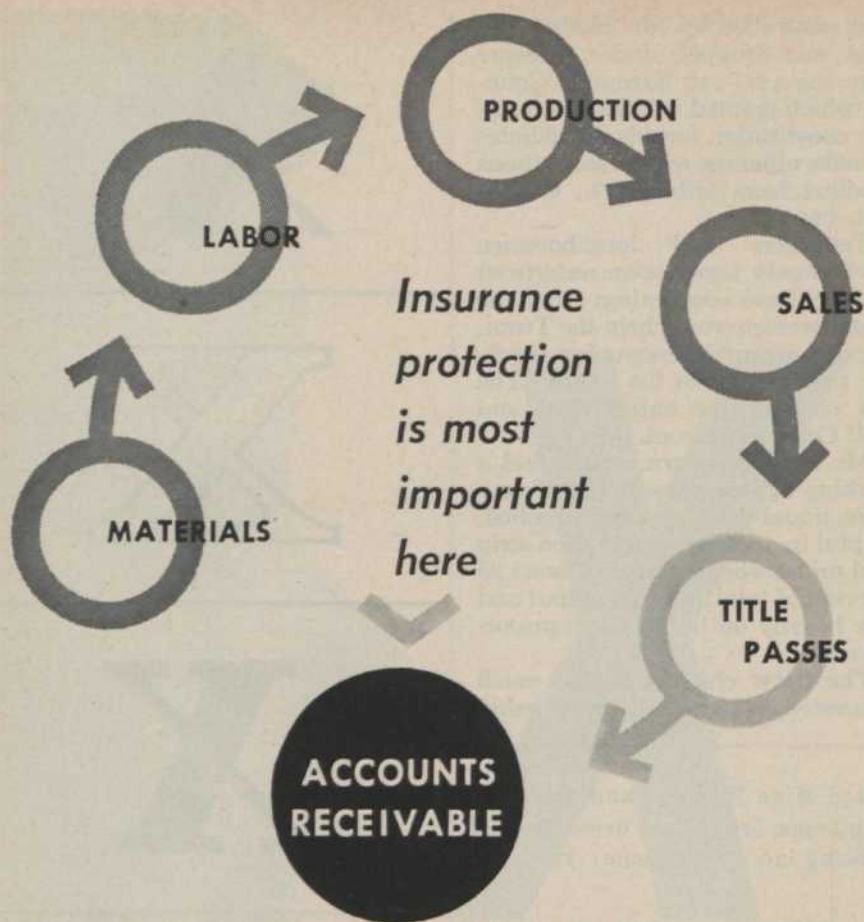
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NEW ALLIANCES

continued

as in boosting the union's Welfare and Retirement Fund income 25 per cent through the 40-cents-a-ton royalty the strip mines would have to pay.

As for Harry Bridges, who controls the ILA's counterpart on the West Coast, the situation would be just the opposite. Rather than seeking an alliance with Mr. Bridges' ILWU, the Teamsters and East Coast longshoremen, working together, would be likely to move in on Mr. Bridges and try to oust him from dominance on the western seaboard.

Similar moves could be expected in the Great Lakes area, where the docks are dominated by unions within the AFL-CIO fold.

Mr. Hoffa has been quoted as saying that all transportation should be controlled by one labor organization so that all traffic could be brought to a standstill if necessary to strengthen labor's power still more.

Increased jurisdictional strife, more strikes and tougher bargaining would be likely to accompany any expulsion of the Teamsters from AFL-CIO, whether or not another trucking union were put into the field as suggested by Mr. Reuther.

The situation could be more turbulent than when the CIO was formed, because the Teamsters are the largest union, with 1.4 million members, and cut across all industries. By controlling deliveries to and from most businesses, they could make or break a strike or an organizing drive.

Construction and retailing would be particularly affected because they rely heavily on truck services. The Teamsters have long complained of work under their jurisdiction being done by members of other unions. The union would go out to get many of these members; for example: brewery truck drivers now in the Brewery Workers Union, truck drivers in the garment, steel and other industries represented by industrial unions.

Whether the AFL-CIO expels the Teamsters now or later, or not at all, the corrupt union practices uncovered by the McClellan Committee and the Teamsters' defiance and failure to clean house make new labor legislation next session of Congress almost a certainty.

It has been shown that expulsion from the federation does not purify a union or affect its right to represent employees and force them to join the union to hold their jobs. **END**



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This method of analyzing
accounting figures gives a
more exact picture of costs

A LITTLE-USED marketing tool has assumed a steadily growing importance in today's price-conscious business climate.

This tool is distribution cost analysis.

Distribution analysis and cost control can help a company review its whole marketing plan and bring a new understanding of the marketing structure.

Distribution cost analysis can be applied to produce a number of specific benefits. Here are just a few:

1. It allows you to figure the profitability of a product and a product line.
2. It can give better direction to your advertising and help you determine what types of sales promotion are most appropriate.
3. It can give you a new view of sales compensation.
4. It can help you make comparative cost studies of specific distribution functions.
5. It helps you select the most effective channels of distribution.
6. It permits an effective determination of return on investment in terms of individual segments of the business.

As a tool, distribution cost analysis is not new to accountants. Accountants in the Agriculture Department applied it in the 1930's to justify distribution costs of agricultural products. The Robinson-Patman Act in the 1930's forced distribution cost accounting

on manufacturers to justify price concessions to distributors. But World War II, and the boom that followed, destroyed emphasis on distribution economies. About 1950, costs came back as a factor. Emphasis on distribution cost accounting has been increasing ever since.

However, its real utilization is just beginning.

Distribution cost analysis allows a company to determine costs in terms of an individual product. It will permit determination of profits by customer and from this profits can be determined by territory, by class of customer, by salesman, and by quantity bracket or what you will.

"Many companies which show a net profit at the bottom of their conventional profit and loss statement are actually harboring loss operations which they don't suspect exist," says Dr. Thomas McGann, affiliated with Stewart, Dougall & Associates, who has been conducting seminars on the subject. "Sometimes losses in one area will cancel out profits in another. With marketing cost analysis, management can act to capitalize on product strength, focus on profitable channels or customers and increase operational efficiency."

Just what are these distribution costs and how are they analyzed to show the profit or loss situation of any particular product or territory?

Distribution costs have been defined as including all costs incurred beyond the point of manufacture. These would include all marketing and administrative expenses, such items as salesmen's salaries, commissions, traveling expenses, warehousing, packing, shipping, advertising, office salaries, supplies, insurance, bad debts, and others.

The conventional profit and loss statement used in most businesses shows sales, then costs of goods sold, gross profit, salaries and wages, payroll taxes, rent, supplies, purchased services, and the like. Expenses included in these categories are commonly referred to as natural expenses. The stress is on the nature of the item paid for and not on the purpose it is intended to serve. Payroll is a good example of a natural expense—including all wages without reference to the purpose for which the wages are paid.

"Distribution cost analysis operates on the premise that expenditures are not made merely to obtain goods and services but rather that they are made to achieve certain objectives through the performance of specific functions," says Dr. Michael Schiff of New York University.

He continued, "Salaries are paid, supplies are purchased, taxes and insurance are paid for specific purposes: to solicit sales, to fill customers' orders, etc."

It is not necessary to discontinue the firm's going system of accounting to apply cost analysis. Functional accounting, as a part of distribution cost analysis, merely rearranges the figures to supply detailed information for other specific and highly valuable purposes.

It might be helpful at this point to make a comparison to factory cost accounting. One of the fundamentals of factory cost accounting is planning the accounting structure within the framework of the factory organization itself. Specifically, departments in a plant are organizational units devoted to completing a specific function. Similarly, in the market-

ing operation, we organize about specific functions and spend money to accomplish these functions.

The first step in distribution analysis is, therefore, the determination of marketing functions. These functions are then reclassified into functional expense groups. This is done by the use of an expense distribution sheet listing the usual natural account headings down the extreme left hand column and the various functions across the top as column headings. The first column contains dollar totals in each natural account. Each natural account may then be reviewed carefully to determine the function or functions for which the money was spent.

These natural expenses can be allocated to their proper functional classifications only after thorough investigation as to the types and sources of expense. A single insurance account, for example, may include employees' health insurance, buildings, cargo, fire and theft, holdup and robbery, liability and casualty, group insurance, salesmen's bonds and transit on imports.

After all natural expenses have been distributed to the various functions, a total cost for each function is obtained.

The typical accounting system will provide the information necessary to complete an effective distribution sheet without too much effort. Once the distribution functions have been shown, it is sometimes remarkable how neatly the natural expenses fit into the functional classifications.

Even if a businessman gets no farther, he has a valuable tool. For the first time he knows what a warehouse or delivery function costs him.

The next step is to apply these functional costs to product groups, customers, territories and so forth, to find profitability by segment. While many arbitrary methods are in use, here is a basic test of the validity of any method of application:

Specifically, costs are incurred to accomplish something. While the general objective is, of course, profit, it can be said that many of the costs are incurred because of the nature of the product rather than the customer and are called product costs. The costs which are associated with the customer, where he is, what, how and when he buys may be called customer costs. Using this approach, we attempt to establish a causal relationship between the cost and the method of application to be employed.

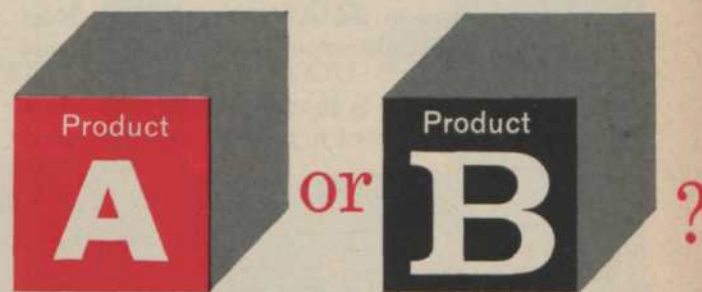
In the case of products, there are distinct differences in characteristics. These have a direct effect on costs, making some products more costly to handle than others. Some products, because of their higher value, tie up more capital than others. Some, because they are large, take lots of storage space. Some have to have special handling, sorting and so forth. In the case of some products, there is special advertising and promotion. All these differences cause variations in marketing costs, some of them substantial.

To measure the amount of expense incurred for each product, these steps are required:

1. Examine the functional expense statement and show which expenses are associated with the product and its characteristics, and which are associated with the customer. For example, outside selling is associated with the customer and where he is. It is, therefore, a customer cost. Storage, on the other hand, is



Bigger commission on

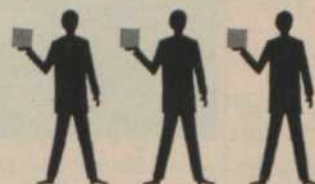


(Salesman may be selling you out of business)

Distribute product yourself...



or through dealers



(Cost analysis led one firm to change 57 year old policy)

EVERY SALE CAN PAY *continued*

a product cost because it relates to the nature of the product and the nature of the facilities required to store it, without regard to where and how it is sold.

2. Develop a basis of allocation for each function relative to the product or customer.

3. Apply or allocate the cost to the product or customer.

We are now ready for a profit and loss statement by product.

We start with sales, less the factory cost of producing the goods, to get a gross profit. Then we subtract the product costs associated with the product.

The next step involves deduction of the cost of selling the product to the specific customers. Next we subtract the administrative overhead to get a net profit.

The important point is that the figure on product cost is treated with respect to product without regard

Basic step is to determine marketing function, set up expense distribution sheet

LISTING OF ACCOUNTS FOR EXPENSE DISTRIBUTION SHEET

Natural account	Total	Outside selling	Inside (floor) selling	Advertising	Buying	Credit authorization
Advertising	\$ 16,742	\$	\$	\$16,742	\$	\$
Depreciation						
Autos & trucks	12,200					
Buildings	6,475					
Furn. & fixt.	2,317					
Insurance						
Blue Cross	1,508					
Fire & theft	947					
Group	2,419					
Property	1,742					
Salesm. bond	1,355	1,355				
Salaries & wages	248,571					2,174
Postage	2,748					43
Power & light	2,442					250
Stationery	6,450					1,075
Telephone	4,727					
Travel exp.						357
Executive	11,711					
Salesmen	27,455					\$4,444
Total	\$472,819	\$72,517	\$1,838	\$22,141	\$11,274	

Note: An expense distribution sheet might include among others such functions as:

Accounts payable	Loading
Checking	Packing
Correspondence	Payroll charges
Delivery	Receiving
Delivery supervision	Routing
Executive & general	Shipping
Filing	Space charges
Invoice typing	Storing

to where it is sold, so you can speak with some knowledge with respect to the product. What you do or don't do with this product is related to costs in a realistic way.

Now we set up a procedure for determining the profitability of a product.

For example, the Interplanetary Steel and Aluminum Company showed a net profit before taxes of \$176,625 for the fiscal year ending March 31, 1956. A statement of product-line profitability showed the following:

Product 1	loss	\$ 6,500
Product 2	profit	158,500
Product 3	loss	90,700
Product 4	profit	65,100
Product 5	profit	80,100
Other products	loss	29,875

In other words, Interplanetary was being carried mainly by Product 2. A complete analysis led the company to drop several of its unprofitable products and concentrate on increasing the profitability of Products 4 and 5.

How can a company use this principle to increase marketing returns? Here are a few of the many applications.

1. *It allows you to figure the profitability of a line.* After profit and loss figures are available for one item, simply combine the results to find the profitability of that line, whether a line of low-priced items, private brand items, unadvertised items or what not. Lines can be broken down to figure the profitability of a color, size, or style. Information as to total cost by product can be the basis for sound price structures and pricing policies.

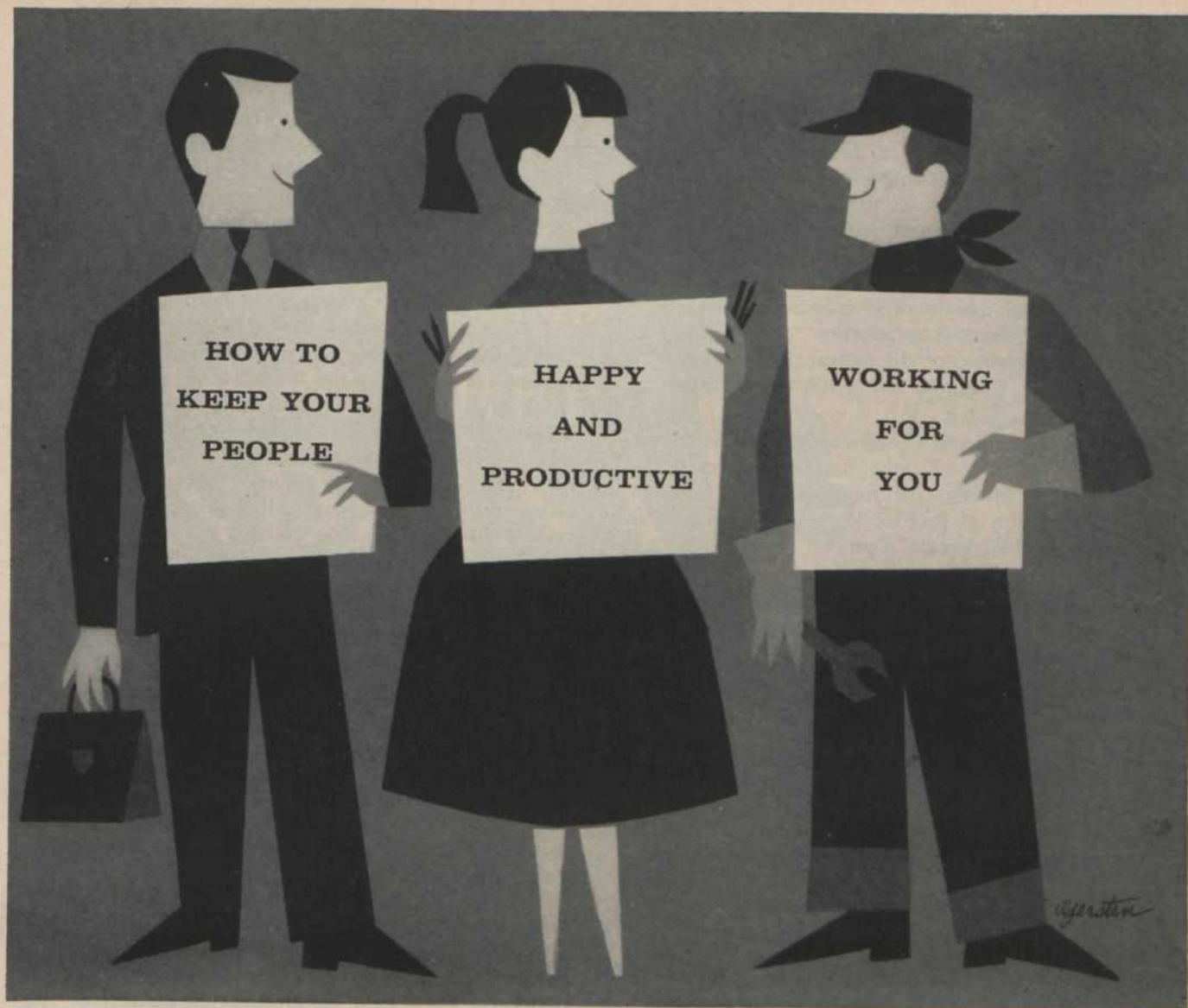
2. *It can give better direction to your advertising.* Analyzing marketing costs allows you to shoot for objectives that are more clearly defined.

3. *It can help you make comparative cost studies relative to specific distribution functions.* It can answer the question: Should we do it ourselves or have someone do it for us?

4. *It can help you solve the small order problem.* Marketing cost information can produce reports of profitability by order size, leading to logical quantity discount policies. It can tell you whether to continue servicing the little fellow or perhaps pass him on to the wholesale distributor.

5. *It helps you determine what types of sales promotion are more appropriate.* It helps you answer such questions as these: Are promotion expenditures out of proportion on some products in relation to others? Should the selling price be increased to provide more money for promotions? Or should the price be cut and promotions reduced?

6. *It can give you a new view of sales compensation.* With a salesman on commission, you have no quality control. The salesman will sell the product most advantageous to him. The easiest ones to sell are generally the ones with the low profit margins so, unless you take steps to the contrary, the salesman may be selling you out of business. Distribution cost analysis



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can lead to compensating salesmen on a basis of profit contribution rather than mere sales volume.

7. *It helps you select the most effective channels of distribution.* The selection of the proper distribution system may be the most important single element in getting maximum volume at the lowest cost. If sales go through distributors and dealers, there is a question of the number and size of each that will produce the best results. It helps determine the desirability of selling through agents, or of telephone selling as a supplement to personal solicitation. It helps determine the effectiveness of the actual distribution pattern itself: for example, the optimum location of warehouses.

8. *It permits an effective determination of return on investment in terms of individual segments of the business.* Distribution cost analysis allows you to figure the relation of profitability in relation to the investment needed to make a profit.

Now let's look at a few examples.

Take the last point: return on investment.

A large office machinery manufacturer developed a plan for compensating branch managers: base pay plus a bonus based on profitability. The company had a capable man in Denver who sold a lot of goods.

However, this resulted in a high inventory of receivables and equipment. This reduced the return on the investment. As a result, the Denver branch was

relatively less profitable than the Atlanta branch—and several other branches as well—where the investment was considerably less. Knowledge of these facts helped the company make advantageous adjustments.

An excellent example of how distribution cost analysis helped set up new channels of distribution comes from the National Biscuit Company. Radical distribution changes resulted from a thorough job of cost analysis included in a comprehensive study made recently by a task force of key personnel from every department of the organization.

For 57 years the company had stuck faithfully to its policy of distributing direct to dealers through its own sales and delivery force. All well and good as far as its crackers and bread were concerned; its salesmen needed to give them daily attention in their calls on 500,000 retail food stores. Not so for cereals and dog foods. They didn't need this expensive sales attention. Nor the speedy and expensive deliveries required for the company's other products. The high cost of these services was putting the cereals and dog foods in a poor competitive position.

So the task force analyzed such things as cost of operation, sales and profit potentials from both the short and long-range point of view, as well as methods of distribution and expansion possibilities. The upshot of their studies: To build a new marketing organization for its cereals and dog foods, the company divorced them from the rest of its operations, put them under a newly organized special products division and departed from a 57-year-old distribution tradition. The new division has enabled the company to expand horizontally and go into food products beyond its present field.

Profitability of a sales territory is ordinarily determined after computing customer profitability—figured on much the same pattern as that we have already followed to find product profitability. The customers may then be grouped to show cost and profit by territory.

But if a territory is found to be unprofitable, it doesn't necessarily follow that this territory should be eliminated. A number of things may be wrong. Salesmen may be calling on too many customers who just can't produce the necessary volume. A company may have the wrong product mix. The salesmen may be selling too many low-margin products. Or they just may not be selling enough products.

A shift in population or the nature of demand may have changed the nature of the territory.

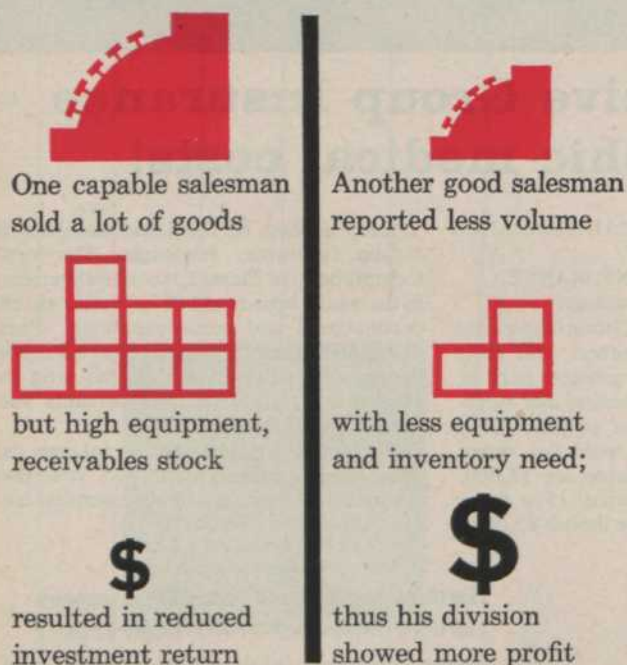
When the ailment has been properly identified, the trouble can often be eliminated, thus putting the territory back in the profitable category.

How to apply the new tool

Valuable though distribution cost analysis may be as a new marketing tool, it should seldom stand by itself. Unless it is used with great care, bad results can accrue. It's hard to isolate costs and make them your sole basis of judgment. Other factors must be taken into consideration.

A product may be unprofitable; nevertheless, a company may have to carry it to provide the necessary service for the customer, or to make up a full line. A company's costs in getting a product into a

Cost analysis reveals inequity in paying profitability bonus



(Study of these facts assisted in
devising better compensation plan)

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EVERY SALE CAN PAY continued

certain store may seem prohibitive. But having the product there may give the company a valuable marketing position. Maybe a product is unprofitable at the moment but perhaps it has unlimited potentialities. Distribution cost analysis puts you in a position of knowing the cost implications of each policy and eliminates the necessity of shooting in the dark.

Authorities in the American Marketing Association considered the technique so important that they recently appointed a committee of leading experts to urge its widest possible practice.

"It is suggested that marketing and accounting people make an effort to become more fully conversant with the mutual problems they have in developing and applying distribution cost figures," said the committee in its report. "Marketing men are too often inadequately informed concerning the principles, practices and problems in accounting which underlie cost records. On

the other hand, accountants too often are ill informed on the practical problems of marketing and the assistance which accounting can render in solving them."

Dr. Schiff, author, with Dr. Donald R. Longman, of "Practical Distribution Cost Analysis," puts it even more strongly:

"In a typical situation, the cost accountant acts both as dietitian and cook in serving up information. All too frequently, the marketing executive suffers from both malnutrition and upset stomach. Frequently, the patient is to blame as well. Effective distribution cost analysis is the end product of cooperation between effective marketing management and an accounting department eager to understand the problems of marketing and meet the executive's needs for prompt and understandable reporting of distribution costs."—PHILIP GUSTAFSON

REPRINTS of "Every Sale Can Pay Its Way" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance with order.

FEED INFLATION continued from page 37

in prices. Included in this category are such products as apparel and textiles, lumber, plywood, electrical appliances, and television and radio receivers. In addition, commodities which have been burdened with heavy inventories have recorded declining prices. Included in this category are grains, vegetable oils, eggs, animal feeds, copper, lead and zinc.

Wage increases

When wage and other labor costs rise more rapidly than output per man-hour, industry's labor costs per unit increase. This is a matter of simple arithmetic. Industry's labor costs have risen far more than productivity throughout the war and postwar period. Thus, for example, from 1939 to 1957, the following increases occurred in manufacturing industries:

Per cent increase
1939 to 1957

Average hourly earnings	214.3
Output per man-hour	48.8

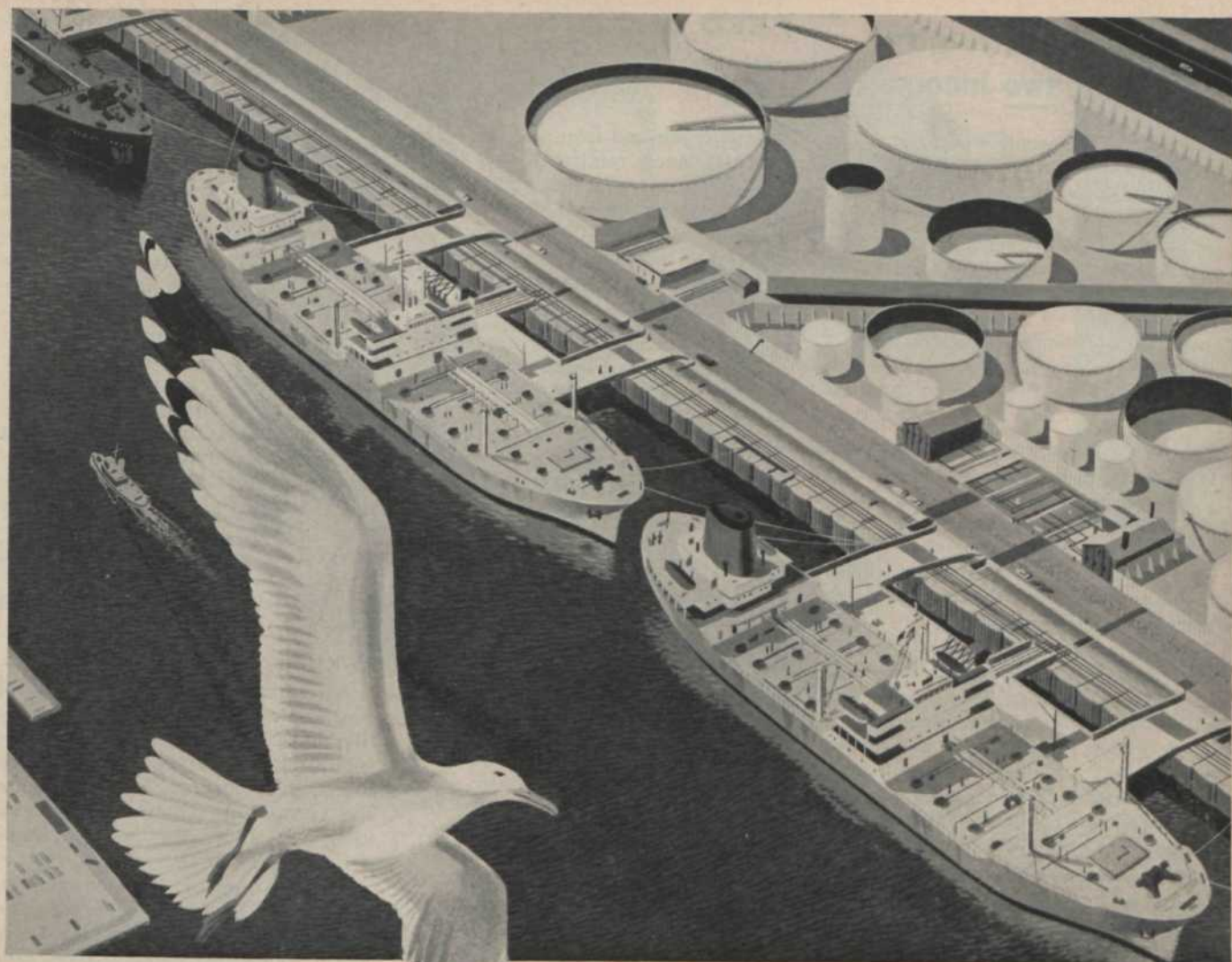
As a result, unit labor costs rose by 110.5 per cent.

In 1956, output per man-hour for all manufacturing industries increased by 2.7 per cent and average hourly earnings rose 5.3 per cent. In addition, pension and welfare programs were liberalized and other

fringe benefits such as supplementary unemployment programs were initiated. For all manufacturing industries, total labor costs rose substantially more than productivity with a consequent rise in unit labor costs. For the entire economy, productivity was unchanged in 1956 and unit labor costs rose 4½ per cent.

In the first seven months of 1957, average hourly earnings and various fringe benefits have added more than five per cent to labor costs. It is unlikely that productivity is rising this rapidly. One of the important elements in short-term gains in productivity is increasing output. However, during 1957, the total level of manufacturing production is not much different than in 1956. Since it is unlikely that productivity will rise as much as five per cent, a further rise in unit labor costs is undoubtedly taking place. This rise in unit labor costs creates pressure for higher prices. It has created wage inflation.

Industries in which labor costs are a relatively high proportion of the sales dollar have tended to have larger price increases than those industries in which labor costs are relatively low. Outstanding illustrations of high labor costs accompanied by higher prices are found



New Super Terminal *for super tankers*

During 1956, Richfield's Marine Terminal at Long Beach, California, was expanded to make it the most modern deep-sea facility in the Long Beach-Los Angeles area.

Nearly a half-mile in length, the terminal will accommodate two giant 45,000-ton tankers and a 16,000-ton tankship simultaneously. Old-style hoses have been replaced with aluminum alloy connectors which eliminate spillage and greatly speed loading operations. New steel storage

tanks now provide a total capacity of 1,500,000 barrels to handle shipments of gasolines, jet fuels, fuel oils and specialty products to Richfield's markets throughout the West, as well as deliveries to the Armed Forces.

Even as this new terminal is completed, plans are under way for an even larger facility at Long Beach—evidence of Richfield's "years-ahead" planning to provide its expanding markets with ever finer petroleum products.

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FEED INFLATION

continued

in coal, coke and iron and steel. In contrast, such relatively low labor cost items as cigarettes, chemicals, and electricity showed small rises or declines in prices. The large rise in labor costs has been a primary cause of the increases in many prices.

Profit margins

Labor leaders have repeatedly charged that price inflation has been due to excessive profits. It is difficult to find support for this charge. The total volume of profits has increased modestly as the level of economic activity has expanded. However, corporate profits before taxes are actually taking a declining share of the national income. In 1955, corporate profits before taxes accounted for 13.1 per cent of the national income. In 1956, the ratio was 12.5 per cent. In the first quarter of 1957, it had declined to 12.4 per cent.

The First National City Bank of New York, in its review of profits of leading manufacturing corporations for the first six months of 1957, found that the profit margin after taxes declined from 7.5 per cent of sales in 1956 to 7.2 per cent in 1957. For eight out of 15 industry groups, the profit margin was lower in 1957; for four industry groups, the ratio was about the same. These data indicate clearly that the rise in prices has not been attributable to a rise in profits. On the contrary, industry has been caught in a cost-price squeeze.

With the economic boom apparently coming to an end, the ability to absorb increases in costs by increasing volume will not be available to many companies. It will be increasingly difficult to raise prices in an effort to recoup such higher costs. Many companies will have to pare their costs if profit margins are to be maintained.

Industrial price policy

Labor leaders and some legislators have blamed industrial price policy for the price inflation. The Kefauver subcommittee has been investigating so-called administered prices; that is, prices set by businessmen. Such prices have followed diverse patterns during the past two years. An examination of the 78 groups of administered prices included in the BLS wholesale price index shows that 15 groups, which accounted for about one sixth of the index, have failed to rise. Four additional groups of administered prices, which account for 4½ per cent of the index, have risen less

than one per cent during the past two years.

There is considerable evidence that market conditions, rather than the power to control prices, have been of primary importance in the price trends during the past two years. Thus, electrical machinery and equipment, for which demand has been strong, has had a price rise exceeding 17 per cent while the prices of household appliances, for which demand has been weak, have declined by a small amount. Copper, lead and zinc, for which prices are administered in an industry dominated by a few large producers, have dropped sharply in 1957 as a result of declining demand and accumulation of burdensome surpluses. On the other hand, prices for many types of equipment, for which demand has been strong, have risen 15 per cent or more. Price administration does not explain the recent price inflation.

Private debt

An outstanding development of the postwar years has been the tremendous increase in private debt including consumer credit, bank loans and mortgage debt. Despite the complaints about shortages of credit in 1956, the net mortgage debt on one to four family houses recorded one of the largest increases in history. However, the rise has been at a slower rate in 1957. The total of such debt outstanding:

	Billions of dollars
1946	23.0
1953	66.1
1955	88.2
1956	99.1
June 1957	103.3

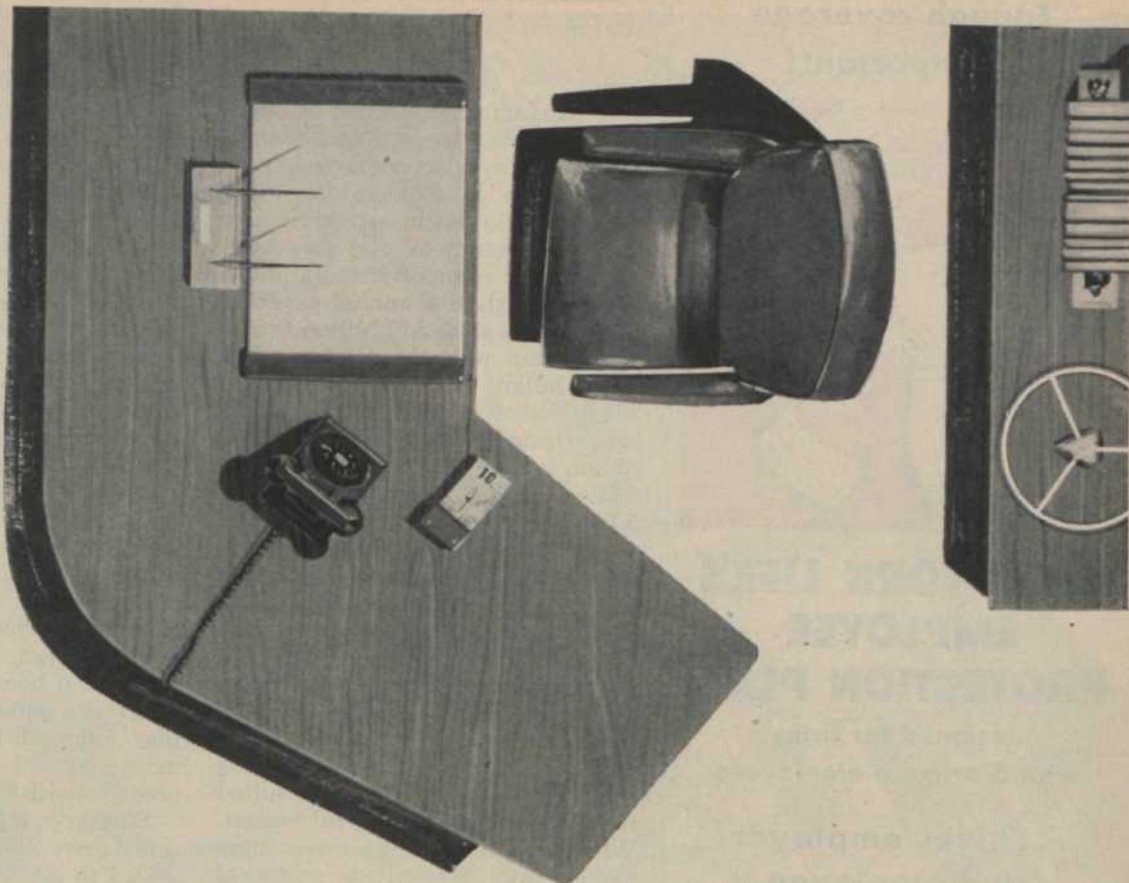
Bank loans to finance inventories and other business purposes also have expanded vigorously. In 1956, the total increased from \$82.6 billion to \$90.3 billion. In this area, too, the rise has been less in 1957.

Consumer credit increased by \$6.4 billion in 1955 and more than \$3 billion in 1956 and is increasing at a somewhat lower rate in 1957.

The sharp increase in debt has added to the buying power of business and consumer. It has played an important role in raising spending to new record levels and in stimulating the boom. It has created pressure for price rises in many areas of the economy. However, the rate of expansion in debt has been slowing up in recent months.

Government spending

State and local spending has increased steadily by \$2 to \$2.5 billion a year in the postwar period



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FEED INFLATION

continued

and expanding needs for schools, highways, various community services have been accompanied by a steady rise in expenditures with the inevitable rise in tax rates. The federal government also has been spending at record peacetime rates. As compared with annual expenditures of less than \$40 billion before the Korean war, the total reached \$74.3 billion in 1953, declined to \$64.6 billion in fiscal 1955 and has been rising steadily since to \$69.4 billion in fiscal 1957. The Administration estimates spending at \$72 billion during the current fiscal year. The high rate of government spending has made it necessary to maintain taxes at record levels and has added to the pressure for price rises. In these areas, the pressures continue for still higher spending.

During the past two fiscal years, the federal budget has shown a surplus. The advance in prices during the past two years has not resulted from an unbalanced federal budget. When the government receives more money from the private sector of the economy in the form of taxes than it spends, this acts as a deflationary force.

Money supply

The supply of money and credit has recorded only nominal increases in the past two years. In the first six months of 1957, the total volume of demand deposits and currency rose less than one per cent over the same period of 1956. A comparison of the first half of 1956 and of 1955 reveals an increase slightly exceeding one per cent in the supply of money. This increase in the money supply is one third the normal rate of advance. The tight money policy has permitted only a modest rise in money supply.

However, the increase in bank loans has resulted in a much more active use of demand deposits. This is pointed up by the rise in bank debits which indicates the turnover of demand deposits. Bank debits increased by 8.7 per cent for the two year period and 3.7 per cent for the year ending June, 1957.

The higher turnover of deposits undoubtedly has played a role in the pressure for a price rise despite the below-normal increase in the supply of money. However, the velocity of deposits is a result of business activity, not a cause of price advances. It is the boom in economic activity which stimulates the turnover and the price rise. There has been no increase in inflationary

pressures because of increases in the money supply.

Anti-inflation program

This review of the price inflation of the past two years makes it clear that we have not been experiencing a traditional monetary or fiscal inflation. Rather, the price rise has reflected the pressures attending the capital goods boom and the excessive rise in labor costs which have affected specific segments of the economy. To the extent that these pressures are reversed, the price rise will be terminated. This reversal has already taken place for a number of commodities.

The proper policies to cope with a boom which is fed by a large increase in private debt are monetary policy and an overbalanced federal budget. The tight money policy has represented a proper approach to combating inflation because, if made severe enough, it can help to dampen down a boom. Of course, such a policy is a painful one. But an inflation followed by collapse is even more painful and creates even greater hardships.

Similarly, a general tax cut which unbalanced the budget would have added to the inflationary pressures. Nevertheless, a reduction in our burdensome tax level is necessary. To accomplish this, a substantial cut in government spending is required.

The fundamental need is to stop the cost push of wage inflation. If labor costs continue to rise more than productivity, the pressures will persist for price rises in many sectors of the economy. Where these cannot be obtained, the alternative will be unemployment. Labor leaders in their quest for gains which cannot be justified by increases in productivity are playing a dangerous game, with future job opportunities of their members at stakes.

A slowing down of the boom should stiffen the backs of industry to resist the excessive wage and fringe demands. Government can do little effectively in this wage area. But certainly one area that deserves more serious examination is labor monopoly and its relationship to wage inflation. We cannot accept complacently a situation in which wage inflation leads to price inflation with a continuing erosion of the purchasing power of money.

—JULES BACKMAN,
Professor of Economics,
New York University

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SOLUTION OF management's number one problem—lack of time—has been brought closer.

Extensive data has been compiled through the cooperation of 400 executives who analyzed their own work days to determine how much time they spent on various chores.

The study shows that, although there are various tricks which help managers relieve their time worries, the only actual cure comes when an executive re-thinks his total function and its relationship to his company's objectives, then breaks his job down into its integral parts. Only then can he begin to put his time budget in order and lay the groundwork for more effective performance over the long run. Studies already made show what this outline should include and how to get the most benefit from the information thus revealed.

The 24 hour day is a great common denominator. How well you use it—no matter what your job may be—will, in a real sense, determine your future.

The new data on time use has been accumulated by the American Management Association in a continuing survey of executives taking its marketing course.

A questionnaire submitted to the marketing men four weeks before they begin the first unit of the course asks them, in detail, how they divide their

working time—how much is spent in the office, in the field; how much goes into specific activities such as dictating, meeting customers, attending conferences, and so on.

Near the close of the course, 12 weeks later, a half-day session deals exclusively with the problem of getting the most out of the work day. The discussions are always lively, and it is this session which has produced many time-saving ideas. On the final day of the three-unit program, the same sales and marketing executives are again asked to tabulate their time. Their second time sheets, when matched against the first, reflect some interesting changes in the individuals' use of working time.

The problem of time use in the nation's managerial ranks is evoking increasing comment at management meetings and in surveys of business problems (See "Top Managers' Three Biggest Problems," *NATION'S BUSINESS*, September, 1957). On such occasions, time—the lack of it, the use of it—pops up repeatedly as number one or two on the parade of executive headaches.

Coleman Lee Finkel, manager of AMA's Marketing Division, says time use is a particularly crucial problem for marketing men.

"The reason," he says, "is that these are the men who, with the possible exception of company presidents, spend the most time traveling."

In addition, they are the fellows who deal most in intangibles—their work is often difficult to categorize (as opposed to jobs in production, for example) and their days are filled with crises, distractions and unexpected interruptions.

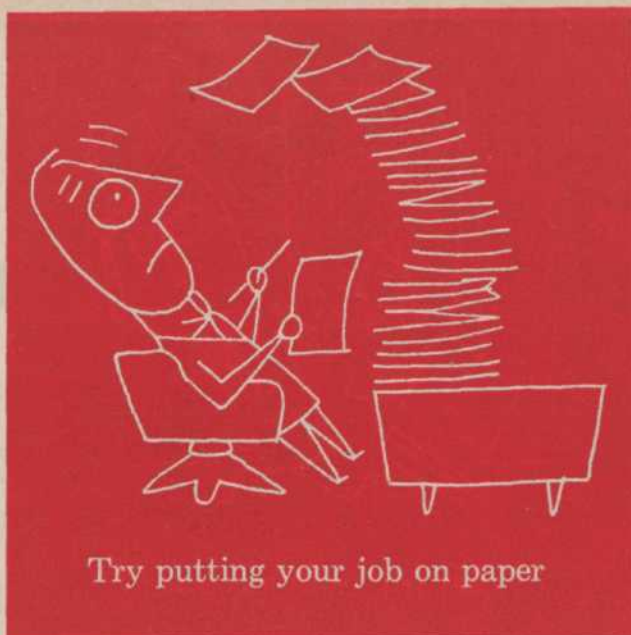
All executives have these same problems to some degree, of course, and that's why the time use findings in the marketing field can be of interest and value to managers in other fields.

There are other reasons why time use can be especially worrisome to the marketing man, whether he is vice president for sales, a regional sales manager, a merchandising director, or in advertising and public relations.

Foremost among these added reasons is the nature



Don't let time throw you



of the typical marketing executive. He's a doer, in business for himself (essentially); a man who has risen to the top by pushing himself. This type of individual doesn't easily take to delegation of his powers and duties. In fact, he finds it difficult to organize his work for delegation.

The before-and-after check on time expenditure points up the need for job analysis and description, the indispensable first steps toward more effective time use.

One of the questions in the survey asks, "If you had more time, what one thing in sales management would you like to spend that time doing?"

Almost invariably the answers touch on one of the following ideas, or a combination of them:

- Thinking.
- Planning (sales goals etc.).
- Developing sales people.
- Spending more time with customers.
- Formulating sales programs (or new ideas).

These comments, Mr. Finkel says, indicate the kind of disorder that can creep into any managerial job and transform every tick of the clock into the crack of doom.

The disorder, it is clear, lies in the breakdown of the essential managerial functions under the weight of the less essential.

A man who pleads for more time to think or plan probably will discover, upon self-examination, that he is burning up precious minutes and hours in activities that could be eliminated, delegated or sharply reduced.

The man who cries for more time to spend with customers, or in the field developing his sales people, may find through analysis that office paperwork is stealing this time from him.

How to find more time

The starting point is the dissection of your job—breaking it down into what one consultant has described as "precisely defined component parts of responsibility and authority."

Every executive job can be reduced to such component parts. The same jobs in different companies frequently may not be exactly alike, but certainly one will find similarities in the job of, say, vice president for sales, in two different companies.

In analyzing your job, try, in a few words, to express its basic purpose, or function. If you are a vice president for sales, that basic purpose probably could be stated: "To plan and direct our sales program in order to achieve the highest possible profitable sales volume at the minimum practical selling cost."

Next set down the executive, or executives, to whom you are responsible. In the case of our mythical vice president for sales the statement might read:

"The vice president for sales is directly responsible to the company president."

Then list the men whom you supervise—the people who are responsible to you.

Here you might find a list like this:

1. Regional sales managers.
2. Assistant to the vice president for sales.
3. Director of sales training.
4. Manager of advertising and promotion.
5. Director of marketing.
6. Merchandising manager.
7. Sales service manager.

Finally, spell out the major responsibilities of your position, analyzing in detail each of these responsibilities, and the duties attendant to fulfilling it.

A position analysis prepared by Walter Semlow of Barrington Associates cites 10 major responsibilities for a vice president for sales. These include sales research and planning; advertising and sales promotion; pricing; merchandising; field sales; service; sales expense; product development; organization development; and employee relations.

Each of these responsibilities is analyzed in detail and includes measurements of performance for telling when each of the responsibilities is being met.

A sample of just one of these analyses—that cover-



SAVES MANAGERS' TIME *continued*

ing the number one responsibility of sales research and planning—follows:

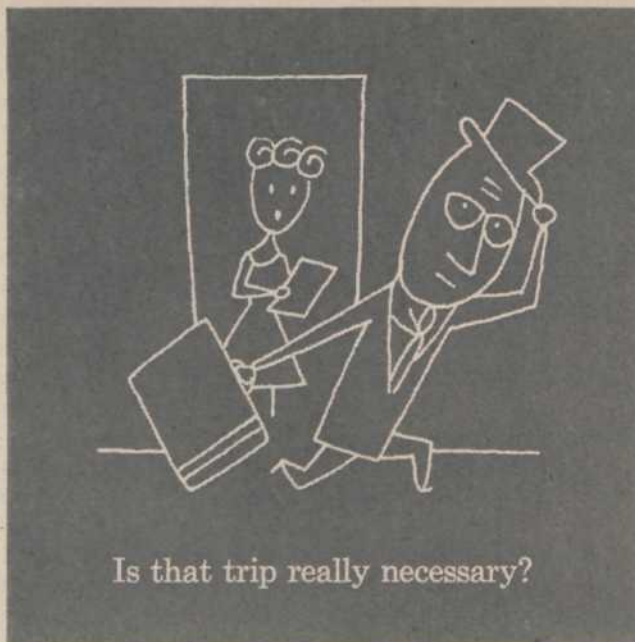
MAJOR RESPONSIBILITY:

Sales and research planning

The standard of performance for this responsibility is met when realistic company sales objectives are established on the basis of sound analysis of market potential; and when sales plans are practical and consistent with sales goals.

KEY DUTIES

1. Direct the director of marketing in the continuous analysis of market conditions and economic trends as they affect the company and the industry, as a basis for systematic forecasting of industry sales volume; study market analyses and keep president informed on significant aspects.
2. Collaborate with president in determining, by product groups, proper share of industry business and related sales objectives which company should strive for.
3. Direct the director of marketing in developing six-month and quarterly (revised monthly) sales forecasts, by product groups, based on market trends, historical sales performance, plans for promotion, and related data; analyze, modify as necessary and review forecasts with president for his approval; promptly inform the president and manufacturing department of changes in the forecast that may affect production planning.
4. Project long-range sales program planning to meet sales objectives and to arrive at proper balance of sales effort on current projected products.
5. Review sales program, long-range objectives and planning with president and management committee to secure acceptance approval.
6. Analyze sales or market problems that may require special market studies; discuss with the director of marketing the scope and timing of such studies; and clear major projects to be done by others with the president.
7. Keep the president and other appropriate officers



Is that trip really necessary?

advised regarding any especially adverse or favorable competitive conditions.

8. Keep the sales organization informed, through periodic general sales meetings, of company programs covering all phases of sales activity including methods of implementing programs.

Once you have thought out your job and put its components down on paper you are ready to begin to identify more clearly the areas where unnecessary time pressures arise.

Mr. Finkel says this is probably the principal value of time use study as it is handled in his marketing course.

An executive is sometimes stunned by the appearance of his job when he gets it down on paper. He discovers he has been doing things which are not in his job—and which shouldn't be. He also finds that he has been neglecting key areas of activity which are very much within the framework of his job.

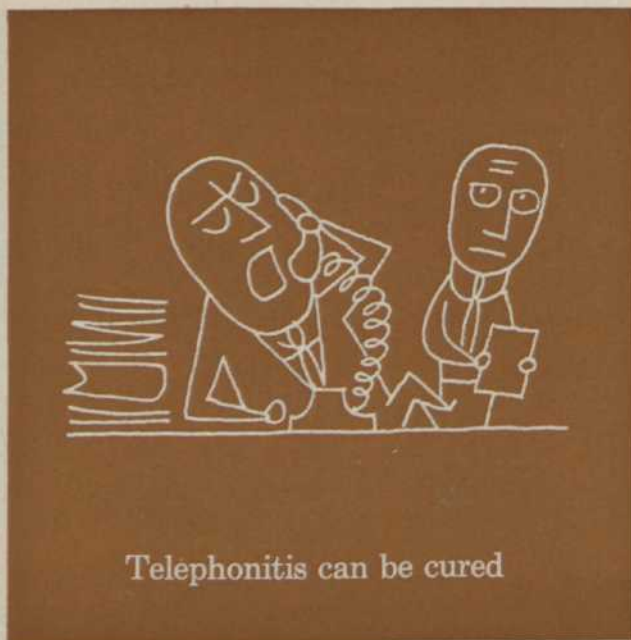
Mr. Finkel emphasizes that there are pitfalls in the approach to solving time pressures. The time clock, for example, can boomerang—by creating a morale problem worse than the problem it is designed to correct.

"Certainly if such devices for controlling time are used," says Mr. Finkel, "then the boss and all the top brass should conspicuously include themselves in."

One thing which the AMA work in the time field has demonstrated is the insidious, time-wasting nature of certain business practices which, because they are old and well established, are adhered to blindly without being re-examined in the light of changing conditions.

The so-called open-door policy is one such practice. That's the invitation to all workers—from janitor to board chairman—to "drop in any time and chat—my door is always open."

This policy, says Mr. Finkel, has wasted an amazing amount of expensive executive time in business and industry without yielding much discernible gain. The experience of the tested marketing executives supports Mr. Finkel's conclusions. The plain fact



Telephonitis can be cured

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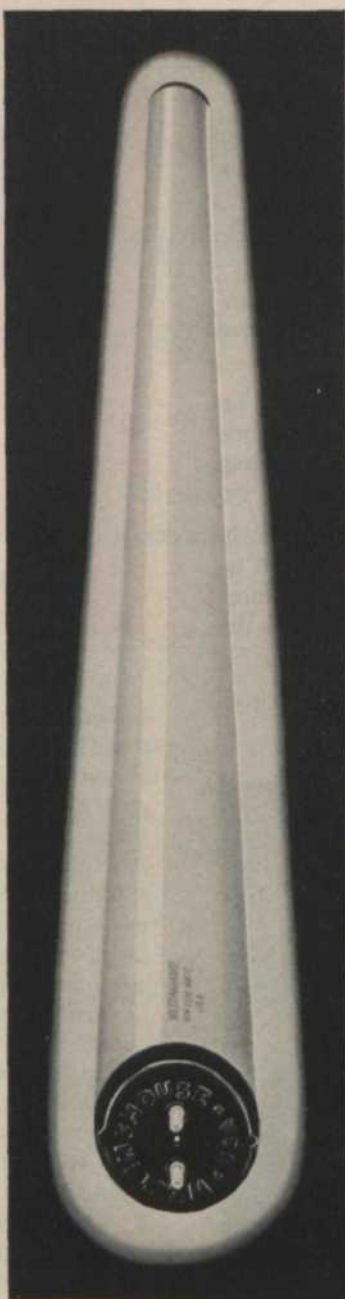
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is that a man with an open-door policy and a welcome mat out to anyone who wants to chat probably will get just what he's asking for—a chat. You can't sell chats and if you encourage them, you may not be able to shut off their excessive supply without instituting a sudden closed-door policy which demolishes any morale gain which you may have attained by starting the open-door policy in the first place.

Another, less typical, example of an established practice that wastes time (but is nonetheless revered as a kind of company sacred cow) was observed until recently in one of the country's major manufacturing concerns.

In this instance personnel of the front office were required to accept and sign personally for all special delivery letters which arrived addressed to them. One executive, fed up with being pulled out of important meetings by a call to sign for a special delivery letter, got to checking on the practice.

He found that it had started in 1918—when a long since deceased official of the company had failed to get a special delivery letter because a clerk had signed for it and then misplaced it.

"Procedural anachronisms—such as this one—bear looking into," says Mr. Finkel. "They may be costing your company time and money."

Other time wasters which managers put high on the list include:

Office visiting—the busybody who drops in unannounced, and with little if any justification, to pass the time of day.

Telephonitis—the garrulous executive who creates an illusion of being busy by talking into the telephone most of the day; finds himself tired but unproductive at the end of the day.

Out-of-townitis—typified by the man who constantly is dashing for train or plane with the assertion that he is urgently needed in the field. AMA believes most marketing executives who spend a lot of time in the field should spend less.

Mr. Finkel says that in many cases harried, time-

pinched executives are spending tragically little time on important business decisions simply because too much of their total work day is being used up in non-essential, or relatively insignificant, activity.

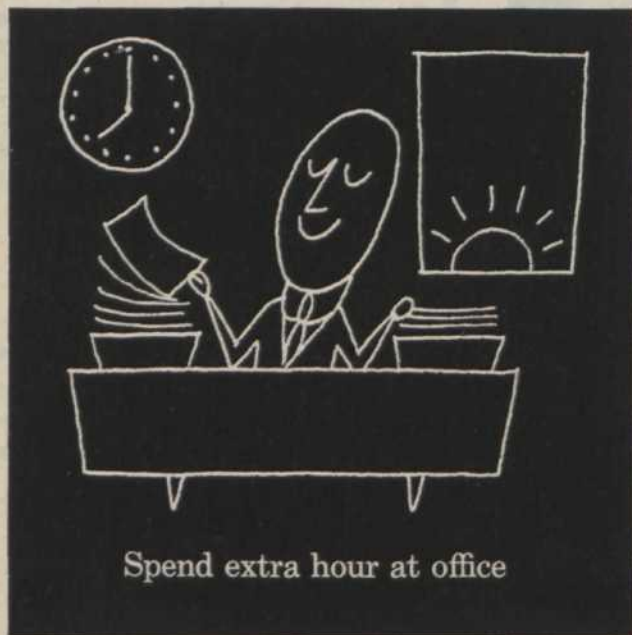
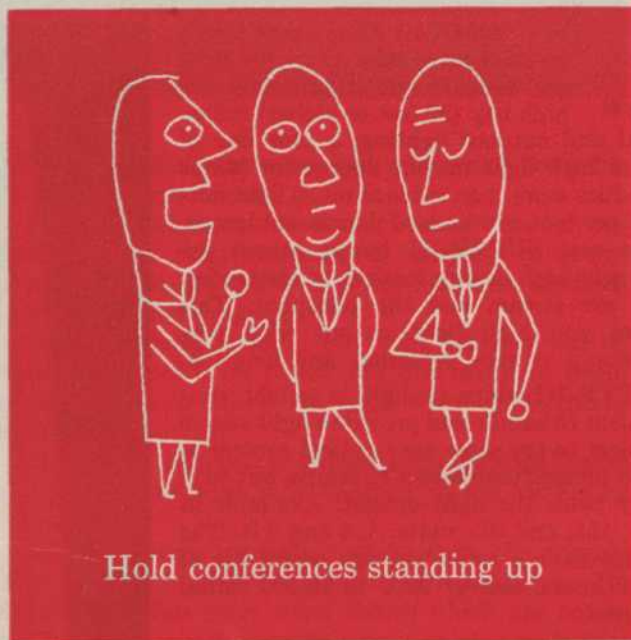
A symptom of this condition, he says, is a company in which top executives have to make major decisions while rushing to catch an elevator, or while waiting in the airport for their plane to leave.

Allow yourself adequate time to make the really big decisions.

Time savers

Executives cite a wide range of time-saving devices. Some of the more unusual ones include:

1. Spend an hour a day (early or late) at the office when no one else is there. Executives who use this



technique say it's amazing how much you can get done by working after everyone else has left, or before everyone else has arrived. No interruptions. Peace and quiet. Helps eliminate need for taking work home.

2. Hold conferences standing up. One manager instituted this system after he found long-winded meetings were producing few results. Now he sets a definite limit on meeting time, asks everyone (including himself) to stand during the meeting. This forces brevity, has trained men to sharpen up what they have to say—to keep it concise.

3. Do the tough jobs in the morning. By mismanaging their day, a lot of executives consume the energetic morning hours working on comparatively trivial matters, such as correspondence. By afternoon they are trying to do vital jobs with reduced vitality.

4. Set up theoretical deadlines. Even if your next project doesn't have a deadline on it, create one. This will spur you into getting it accomplished and ward off possibility of a dangerous accumulation of things that must be done.

Some of that excessive time spent in traveling to out-of-town offices, *(continued on page 78)*

How would you answer these typical personnel questions?

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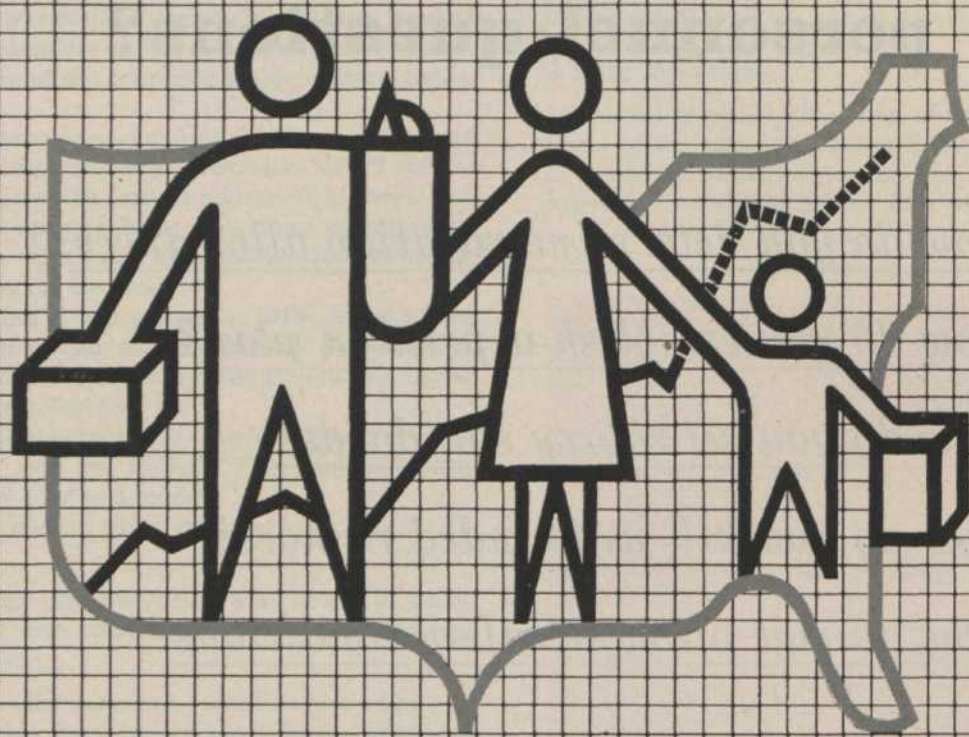
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The results of this LIFE Study, just released, are based on 93,000 completed interviews with consumers carefully selected to be representative of all U. S. households.

These consumers were asked about their purchases of scores of individual items . . . if they were bought, when they were bought, how many were bought, and how much was paid for them.

New Facts About America's Buying Patterns

LIFE's new Study shows how much United States households spend for food, clothing, shelter, household furnishings, medical and personal care, auto-

mobiles and recreation. These major categories are in turn subdivided into specific products.

For example, the Study not only shows the percentage of the dollar spent for food . . . but the percentage of the food dollar which is spent for specific products. It also describes the characteristics of the consumer who buys each product, giving a complete picture of the market.

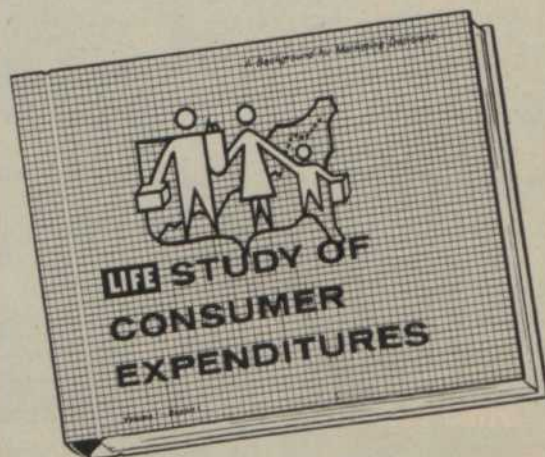
Household expenditures are described in terms of income, life cycle, geographic and marketing location . . . as well as by the education, age and occupation of the head of the household.

How Businessmen Can Use the Study

Thus, LIFE's Study reports to the businessman who spends how much on what. It helps him determine where his best prospects are . . . and what products are competing with his for consumer dollars.

Future volumes will relate consumer expenditures to retail place of purchase and to the timing of purchases not only by the month, but by week of the month and the day of the week. Volume I is priced at \$10 and is available by writing on your letterhead to:

**Market Research Department
LIFE, 9 Rockefeller Plaza, New York 20**





Outline letters while traveling

attending meetings, etc., can be saved by use of special telephone hook-ups. These are gaining in popularity, especially in the sales field. Sales managers who formerly tried to get to every regional or district sales meeting now go to the meetings via telephone or closed-circuit TV. In this way they can talk to their field personnel, answer questions, get the feel of the meetings—without taking time away from home base.

There are other time-savers which you may want to experiment with. Here are a few:

Plan tomorrow's work today—This is a simple procedure. Just before quitting time collect your thoughts about the business coming up tomorrow. Make a few notes. It will help you to organize your effort more effectively.

Hold conferences by telephone—This is a variation on the time saver discussed earlier. Here, an executive eliminates need for meetings of associates, sub-



Hold conferences by phone

ordinates by getting them together in a telephone conference call in which a number of distant points can be connected on same line.

Get better secretarial help—This is mentioned frequently, but with no specific how-to suggestions.

Rough out letters while traveling—Many executives put their commuting or traveling time to use by writing letters, organizing speech material.

Mechanically limit telephone calls—Have your secretary make a faithful time record showing how much time you spend doing this and that—for perhaps a week. If it shows you spend a disproportionate amount of time on the telephone you might consider use of an egg timer, or some other device, to limit your calls. Some executives use small alarm clocks—in one instance a man uses the alarm not only to hold down the length of his calls but to arouse him after a forced midday nap which he takes in his office to refresh himself for afternoon work.

Jotting down key points to be covered in a telephone conversation—before you call—also speeds the process, helps cure “telephonitis.”

Many of the executives cite dictating equipment as extremely valuable in time-saving. Many take such equipment with them on field trips, dictate their reports into the machine, thus eliminating the need to send letters and wires and generally speeding up their operations while away from the office.

Listing the major problems to be tackled next also helps to clarify your thinking—if you are an executive with a heavy workload. It keeps your mind on target.

The most important thing, however, is job analysis; knowing what is most important in your job and then organizing to accomplish it. Devices won't help you here. You must think out your position carefully and set down the basic facts on paper so that you won't forget them. Learn to delegate what you can delegate. Learn to identify time wasters when they appear. (One executive cured office visitors by assigning them night work.) Learn to keep your job and its relationship to your company's major goals in clear focus. Study the interrelationships between the various parts of your job. Have respect for time and teach that respect to others.

These points constitute at least the beginning of an attack on the executive time problem. Much more remains to be done in terms of research and analysis. Much more must be done, in fact, if the business histories of the future are not to refer to today's managers in the somewhat grim language used by Fen Doscher of Lily-Tulip Cup Corp. in his appraisal of the sales executive's workload:

“In my opinion, he will be remembered as a harassed administrator, burdened with a multiplicity of functions, a tight budget, an incipient ulcer, and a life expectancy considerably shorter than that of the general population!”

END

REPRINTS of “Job Analysis Saves Managers' Time” may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H St. N.W., Washington 6, D.C. Please enclose remittance.



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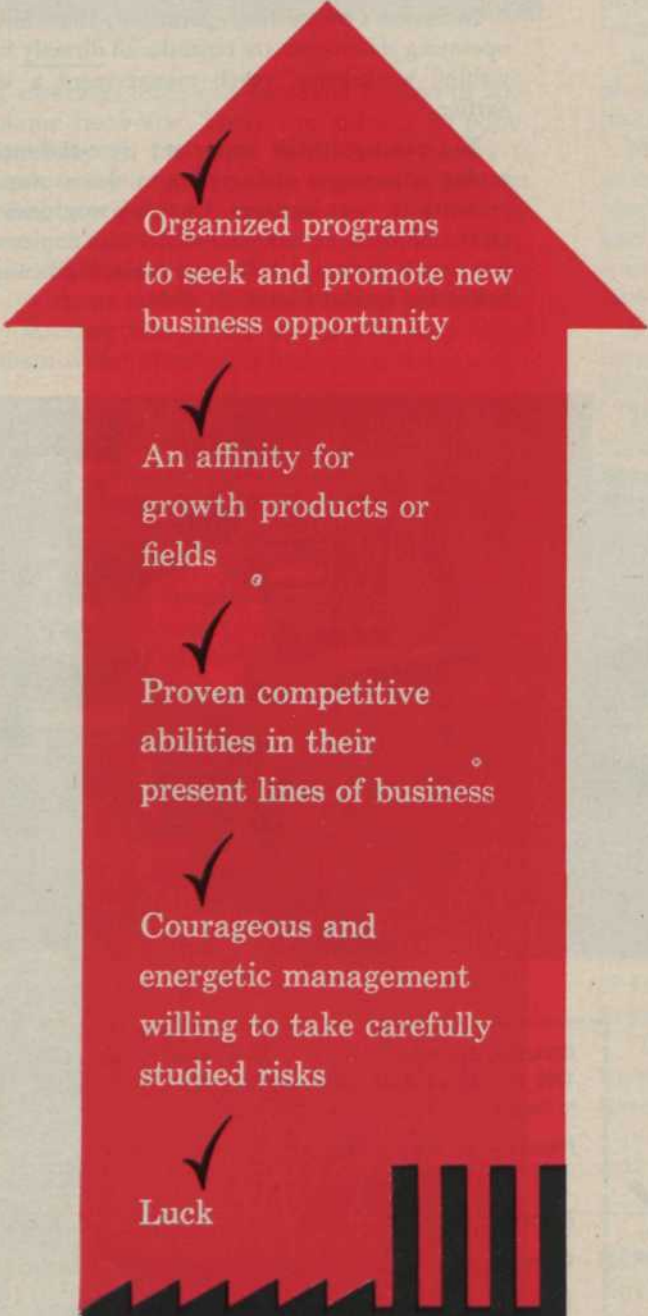
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WHY COMPANIES GROW

New survey of expanding businesses
reveals the characteristics of success



✓ Organized programs
to seek and promote new
business opportunity

✓ An affinity for
growth products or
fields

✓ Proven competitive
abilities in their
present lines of business

✓ Courageous and
energetic management
willing to take carefully
studied risks

✓ Luck

**CHECK LIST OF FIVE
CHARACTERISTICS OF
SUCCESSFUL COMPANIES**

RESEARCH is uncovering answers to these business questions:

Why do some companies expand sales and profits, while others seemingly stand still?

Can successful growth be deliberate and planned, or is it largely an accident?

Are there any observable facts which can be said to explain successful growth companies?

The Stanford Research Institute, after a two-year initial study, has concluded that successful growth companies appear to have certain characteristics that are absent in less successful companies. It identifies these five characteristics as:

- ▶ Organized programs to seek and promote new business opportunities
- ▶ An affinity for growth products or fields
- ▶ Proven competitive abilities in their present lines of business
- ▶ Courageous and energetic management, willing to take carefully studied risks
- ▶ Luck

Stanford Research bases these conclusions on a study of 210 companies which had exceptional growth histories in the base period 1939 to 1949. For comparison, a group of 169 companies whose growth performance was well below average was used. The study now covers the years through 1956 and will continue into the future.

In the course of the study, says P. J. Lovewell, Director of Economic Research for SRI, some of the companies originally included in the gifted group have fallen flat on their faces or slipped badly. Some of those in the presumably less gifted group have pulled themselves into the top ranks. Others have failed or merged. Interesting sidelights are these:

The number of companies absorbed by mergers and acquisitions is considerably greater, proportionately, among the companies of lower growth rates.

Good management practices do not provide absolute assurance that a company will grow and prosper. Rather, good management, and, especially, sound planning methods should be thought of as a means of improving the odds for success.

Although the findings thus far provide guidance and pointers for all businessmen, Mr. Lovewell cautions that the researchers are not yet completely satisfied with their knowledge of successful companies. He warns further that there is no pat formula for achieving business success or, for that matter, any precise definition of what success actually is.

In its study, SRI focused on sales



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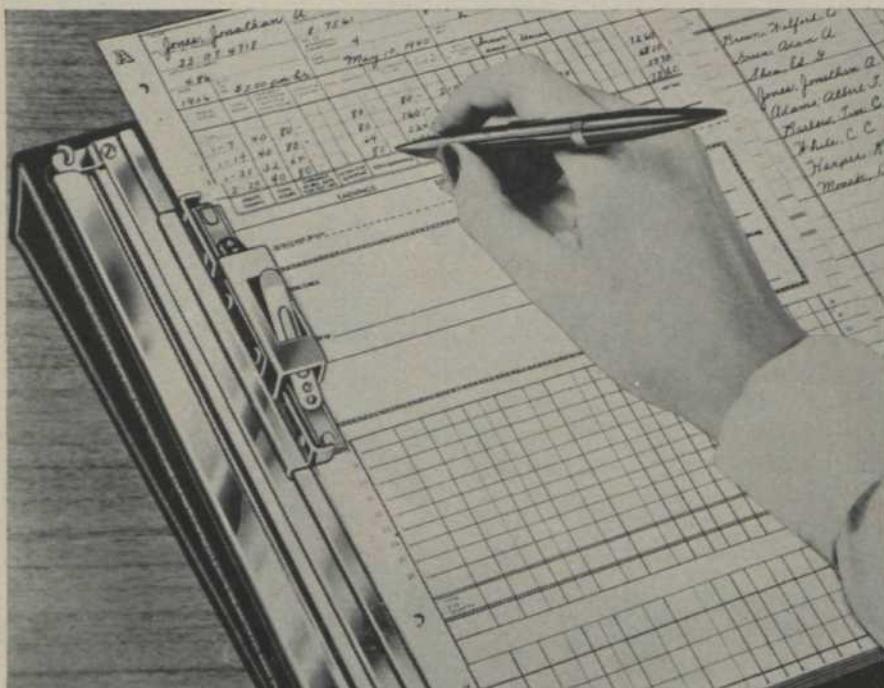
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COMPANIES GROW

continued

growth as a practical method of measurement and because most owners and stockholders, particularly of industrial concerns, are looking for increasing earnings and possibilities for capital gains. N. R. Maines, SRI's manager of Company Planning Research, says that although for some purposes other measures of growth — assets, shareholders' equity, profits — may be of greater significance, in this analysis no direct study was made of those measurements.

There can be no question, however, that many companies in stable situations are admirably performing their functions and completely satisfying their ownership. This point is emphasized by Robert W. Smith, Assistant Director of Economic Research, who worked with Mr. Lovewell and Mr. Maines on the study. While recognizing this exception, Mr. Smith points to some of the elements that might identify a successful company:

1. It has grown steadily in sales volume and earning power for years.
2. It is operating in markets and product fields which have above-average growth prospects.
3. It has the stability, through size, diversification, financial resources, or other means, to withstand periods of adversity.
4. Its products and services are well regarded by customers and the public at large.
5. Its employees are proud to be associated with it; they have a feeling of personal responsibility for its success and feel that it offers ample opportunity for their development as individuals.
6. It has forward-looking programs to promote its future in such areas as product development, market development, company acquisitions, organization or management development, and operations research.
7. Its management team is highly regarded and well rewarded for its capabilities.
8. Its policy is fair in dealing with stockholders, so that the owners can realize maximum long-term benefits from their investments.

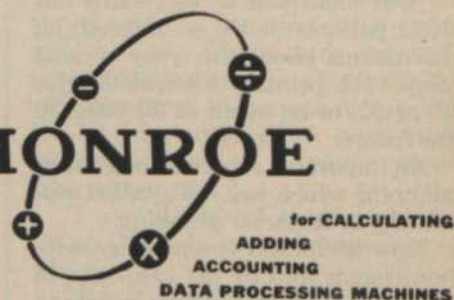
In selecting the study sample, the researchers chose all manufacturing companies listed in "Moody's Industrials" which had enjoyed a growth in sales of at least 400 per cent from 1939 to 1949. These totaled 210. From the same source they listed the 169 companies whose growth in sales during the same period had been no more than 100 per cent. A further



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COMPANIES GROW

continued

distinction developed between the companies in each group which increased both sales and profits between 1949 and 1956 and those which did not.

Among the original 210 high growth companies, one group continued its sharp growth from 1949 to 1956 while the other grew only at about the same rate as manufacturing companies in general. The 169 companies in the low growth group also showed a split in development—one segment improving in both sales and profits from 1949 to 1956 and the other continuing to show poor growth in sales, profits, or both.

Significant in this connection, Mr. Maines says, is the fact that the two groups which have shown improved growth in recent years report a greater activity in planning than do the groups whose growth has slackened.

The SRI researchers expand on the five characteristics of successful companies like this:

Organized programs. Progressive companies characteristically have organized programs to seek and promote new business opportunities. They usually invest significant portions of their earnings to market development, new product development, and acquisition planning. Almost all of the 210 gifted companies in the study had active programs in at least one of these areas, the relative emphasis varying with the type of business. It is typical of progressive companies that the entire corporation is aware of the significance of the planning function, and that there is broad participation in the business of planning even when the actual planning is done by economics staff groups, outside economic advisory service, or other special economics help.

A top executive of a major chemical company described his company's point of view like this:

"We have worked with five-year projections in detail for many years and in addition have more generalized projections which go 20 or 25 years into the future.

"Our chairman of the board has little patience with, or interest in, discussions about this year or next year." His primary interests are for 20 or 30, or as much as 50 years in the future.

An important aspect of long-range planning which was not studied separately is financial planning.

How it can aid company growth, however, is told by the chairman of the board of an engine company

whose firm is among the fastest growing group:

"The careful job of 10-year forward planning in the financial area, which we completed last year, proved to be extremely helpful in the formulation of present policies with regard to capital investments and make or buy decisions. The amount of new capital required to achieve our goals over the next 10 years had a startling impact on the thinking of our whole staff."

Affinity for growth. Progressive companies tend to seek out growth fields—those with products enjoying

increasing demand. Seventy-five per cent of the 210 growth companies studied were operating in industries with high rates of growth. Accompanying this characteristic is the willingness to shift from fields of declining promise to those marked by growth potential, as illustrated by this statement of a company president:

"Advance planning for our company has played an important part in our transition from a company which was predominantly in a non-technical field to one which is now in the electric, electronic, and nuclear instrumentation field."



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Another example is provided by an appliance manufacturer: "As a small manufacturer in the appliance industry, we manufactured several items which were admittedly declining in popular acceptance. It became necessary for us to diversify.

"We stopped manufacturing and distributing certain items and concentrated on the sale of heating equipment through private label users. We concentrated sales efforts in the direction of the mobile home industry."

Companies in slow-growing or declining fields can only grow by a competitive struggle, and with minor

possibilities for new product innovation or for improvement of existing products. Only 12 of the 210 growth companies studied were staying in the fields that are characterized by low rates of growth.

Proven competitive abilities. Companies doing the best job of expanding are usually building on a hard core of successful past operations. They are basically in a better position financially and operationally to move ahead because they are in a sound competitive position today.

The long-range destiny of a company depends on the continuing

value of its services in the market place. Actions which damage customer or public good will, or reduce a company's capacity to continue to provide better products and services, retard development.

Management. Occasionally, a company has all these visible success characteristics but it still isn't going any place. Plans are carefully prepared by competent staff; product possibilities of real potential are staked out; the company's record of service is outstanding, and yet progress is disappointing. When this occurs, the usual missing ingredients are management leadership and moral courage. Here are two examples in statements by presidents of important corporations. First, a metals producer:

"We acquired large sources of metals, particularly rare earths. . .

"I feel that the management is entitled to credit for conceiving the possibility that these metals would find extensive uses, and having the courage and energy to spend money finding and acquiring such deposits."

Second, a metal fabricator:

"This growth was deliberately planned. In fact the new plant was organized and built without an order on our books but, seeing a need, we expanded without fear."

In the final analysis, planning cannot be meaningful without management foresight, management support, management decision, and management follow-through.

Luck. The study also shows that chance circumstances often play a part in the growth of a company. Even with the best of planning, unforeseeable political or economic events can upset any expansion programs.

"Some companies seem to succeed in spite of themselves," says Mr. Lovewell.

One company's board chairman confided during the survey:

"Historically, I would have to confess that a good portion of our growth since 1949 has been fortuitous. We concentrated on serving the oil and gas industries because of the demonstrated growth potential domestically and abroad. The acquisition or merger route can never be timed and the fact that some companies in our group were acquired since 1949 is due as much to outside circumstances that made it possible for us to pursue these companies successfully as to intensive planning on our part."

"I would like to emphasize one point. That is preparedness," says Mr. Smith.

"It is important that companies so

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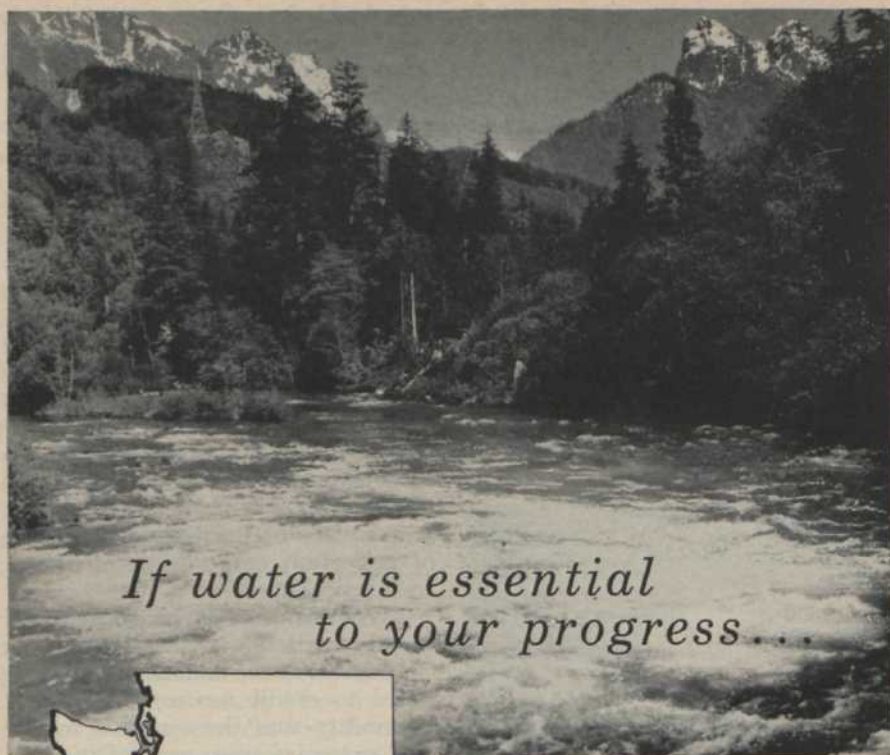
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COMPANIES GROW

continued

organize their activities that they are in a position to take advantage of unforeseen opportunities at the time they arise, that they have built into their organizations the capacities to move swiftly at the right time with the needed resources.

"These capacities might include, first, the ability to recognize such opportunities at the earliest possible moment, which means that the company must be giving time and effort to a continuous search for them; second, once an opportunity is recog-

There is persuasive evidence that skillful, creative management has been the necessary forerunner of enduring corporate growth, not only in this dynamic country of ours but on an increasingly world-wide scale.

—Harold F. Smiddy,
vice president, management
consultation services,
General Electric Co.

nized, the ability to evaluate its attractiveness; and third, if the opportunity is promising, the ability promptly to undertake a commercial program.

"If we can categorize the first order of planning as planning for the foreseeable, the second order might be termed planning or preparing for the unforeseeable. I feel that such preparedness may be a very important factor in the performance of some of the successful companies which we have under review."

Aside from chance circumstances that may make or break a company, the company striding toward a goal of perpetuating development and growth, is:

- Not waiting until the handwriting is on the wall to launch a crash program to save the business.
- Seeking new opportunities every day through product research, market research, and acquisition evaluations.
- Strengthening critical internal programs such as organization planning, operations research, and the development of financial capacity. **END**

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OLDSTERS

continued from page 39

relatives, and a small percentage receive housing as part of their compensation, or live in houses they have sold.

Automobiles are owned by 39 per cent of this age group, with two per cent owning two or more cars.

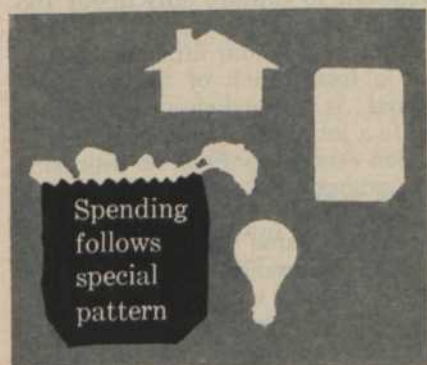
Expenditures

The allocation of expenditures by the aged differs considerably from that of other age groups, according to data of the Bureau of Labor Statistics—University of Pennsylvania study of consumer expenditures.

Families headed by older persons spend a considerably larger proportion of total expenditures for housing, fuel, light, refrigeration, and for household operation, but a smaller proportion for house furnishings and equipment. Older persons spend a larger proportion for food, but a smaller proportion for alcoholic beverages and tobacco. The larger proportion of women among those aged 65 and over influences spending for the latter two items.

Older persons spend a larger proportion of income for medical care, but a smaller proportion for transportation, toilet articles, barbers, beauty parlors, and other personal care items and services, and a smaller proportion for reading, recreation and education.

Already many business lines are catering to the specialized demands of aged persons. Foods are specially prepared to suit their dietary needs and palates. Houses are being constructed with a minimum number of steps. Other special items include

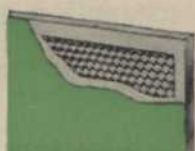


lower bathtubs and storage shelves, heating systems capable of producing higher even temperatures, floors which are not slippery, closets that can be closed with curtains instead of doors, and other features for the safety, comfort and convenience of the aged.—FRED D. LINDSEY

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ENGINEERS who have been studying sources of future water supply are becoming seriously concerned over these three things:

1. The 1957 drought is only the midpoint of the current dry-weather decade.
2. A growing population is finding scores of new uses for fresh water.
3. The trend in commercial water use is rapidly accelerating.

"We'll probably get by this time," the hydrologists say, "but next time around—look out!"

Studies show that we have alternating dry and wet periods in which total rainfall may vary as much as 20 per cent. The precipitation charts logged between 1886 and 1952 show that wet and dry cycles have alternated during that time at regular periods of nine to 11 years each.

The 1920-29 period, for example, was 10 per cent wetter than normal. The 1930-40 period was very dry and produced the dust bowls of the Great Plains. The 1940's were even wetter than the 1920's. Weathermen say the present cycle is "running very dry in accordance with this large-scale cycle."

The present dry era should end around 1961 or 1962. The next dry cycle will begin about 1973.

At present the U. S. is consuming fresh water at the rate of about 200 billion gallons a day. It is expected that by 1975, just about the time the next dry cycle hits, the rate will be 400 billion gallons a day.

At the turn of the century fresh water used daily by or on behalf of individuals was 95 gallons per capita. This included personal and household uses, fire-fighting, street washing, utility consumption, normal leakage and loss, and so on. Today the daily use is estimated at 145 gallons per capita.

Most of the increase is due to higher standards of living and water-consuming modern conveniences. People today take more and bigger baths (25 gallons or so each), more showers (five gallons per minute), use more indoor toilets (four gallons per each use), launder more clothes (20 gallons per batch) and so on. They depend on automatic dishwashers, garbage grinders, lawn

sprinkling systems, and air conditioners. There is a marked trend to private swimming pools. By 1975, per capita use is expected to reach 175 or 180 gallons, and population growth will give us nearly 230 million water consumers. Water consumption for personal use will be about 40 billion gallons a day. But this is only 10 per cent of total use.

Today, personal water use probably accounts for 11 or 12 per cent of the total, irrigation for about 45 per cent, industrial processing for about 43 per cent.

By 1975 the ratio for these three major categories is expected to be something like 10-30-60 per cent respectively. Industrial consumption may be 225 billion gallons a day. Where will this put the country in relation to natural water supplies?

Average annual precipitation in the U. S. is slightly more than 29 inches. This works out to an average daily yield of 4.1 trillion gallons. About one fifth of this, or 820 billion gallons, becomes runoff filling our streams, rivers and lakes.

From 75 to 90 per cent of fresh water consumed in the U. S. comes from runoff. Although our runoff is double the amount of water consumption predicted for 1975, national storage capacity at present is sufficient to capture only about 165 billion gallons per day. This does not mean that four fifths of the runoff is lost. Much of the part not stored is nevertheless used, and quite a lot of the non-runoff precipitation eventually finds its way back to underground water tables and is stored there.

At the same time, this underground water (particularly in the West) is being consumed faster than it is being restored. The figures suggest how rapidly we are reaching a critical point in the ratio of water consumed to water available. A national survey showed how serious this problem is. Examples:

Connecticut—Farmers in the New Haven area pump so much stream water for irrigation that salt water is backing inland from Long Island Sound.

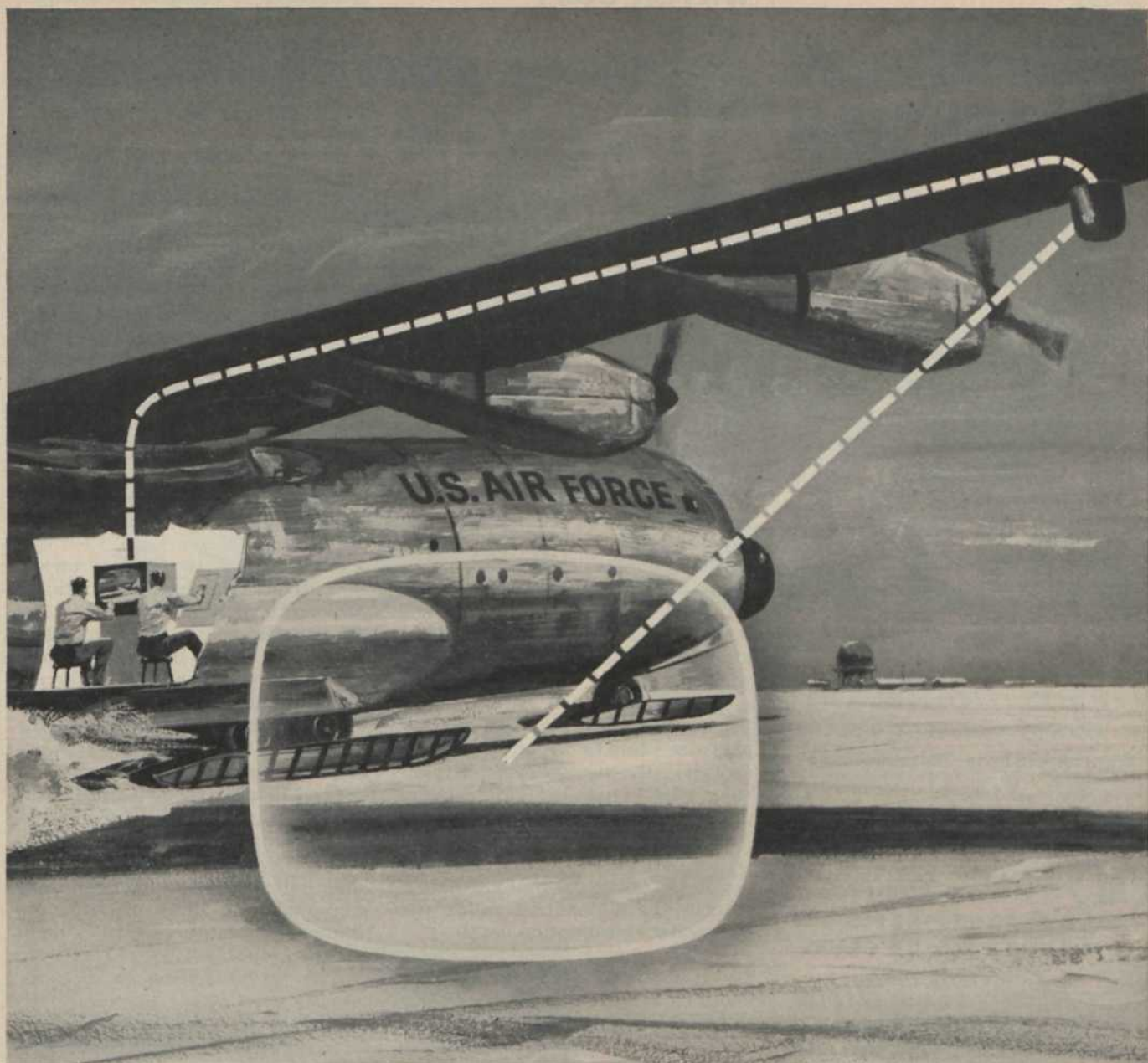
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WATER COST

continued

ter levels have dropped 200 feet since 1937.

Nevada—Overpumping of wells has caused terrain sinkage of three feet in the Las Vegas area.

New York—Officials are trying hard to fill new reservoirs by cloud-seeding in the Catskills.

Illinois—Shortages are reported in 41 major communities.

California—Underground tables are being depleted at the rate of 2.5 billion gallons per day.

Missouri—Users are depending on 80,000 deep storage ponds to get through the drought.

Of the 48 states, only Idaho, Mississippi and Rhode Island have reported no serious water shortage problems during the present dry-weather cycle.

Meteorologists and climatologists seem to agree that the rhythmic variations in rainfall are governed by solar radiation, but they do not know how. Many suspect a tie-up with sunspots.

The sunspot cycle averages 11.3 years, although it may run as short as seven years or as long as 17. In any case, the average sunspot interval seems to parallel our wet and dry periods of rainfall.

If the cycles continue in the usual pattern the next set of dry years will begin just about the time the nation reaches the 400 billion gallon per day water-consumption level.

Unless much is accomplished between now and then the country could be in serious difficulty during the 1973-83 cycle.

Experts say now is the time to start concentrated work on water problems, not 1973, for it is going to require much effort and expense to find solutions by that time.

Arthur M. Piper and Harold E. Thomas of the U. S. Geological Survey, in a recently prepared paper, state: "More and more the rational solution for water supply stringencies will require concerted action by fairly large groups of water users, who must make mutual

concessions to common advantage."

Here are the basic channels of attack which hydrologists believe must be pressed.

► Stabilizing of underground tables and preventing their contamination with salts.

► Better regulation and much increased storage of runoff water.

► Economical conversion of salt water to fresh water.

► Advanced techniques of rain-making and weather modification.

► Reversing the trend toward pollution of rivers and streams adjacent to cities and industrial areas.

► Re-use of water through purification and recirculation, a process being applied already in some industries with high water requirements.

► Better control of soil erosion.

► Revised water resources law designed to prevent waste and promote the greatest good for the greatest number.

Concern over water is growing. Recently, for example, a national conference on water resources and the law was held at the University of Michigan, and the U. S. Chamber of Commerce and 23 other national organizations discussed the water conservation problem at the Fourth National Watershed Congress in Atlanta.

The Michigan group heard Thorndike Saville, dean of the College of Engineering at New York University, predict that population growth and industrial development may soon make rationing of water for different purposes necessary throughout the nation.

Even if the nation makes optimum progress in all directions, it is unlikely fresh water will ever again be as cheap as it is now. "The true value of water," says David S. Jenkins, director of the Interior Department's saline water conversion program, "is not what we have been accustomed to pay for it, but the cost of its replacement."

Forecasters suggest that where today we pay from 20 to 40 cents per 1,000 gallons for fresh water, 15 years from now the cost may be several dollars for the same amount.

—PHILIP B. YEAGER

A team at the University of Michigan's Legislative Research Center, after almost a year's examination of state laws governing water use, developed a model act designed to meet the needs of government, industry, agriculture and the public.

The model act calls for creation of state agencies empowered to license major water users to obtain a specific amount of water for a set period of time. It would not affect consumption of water for domestic use.

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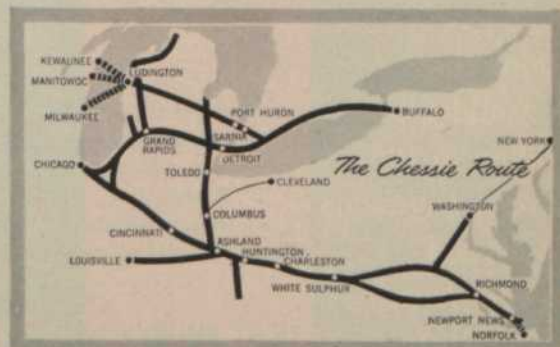
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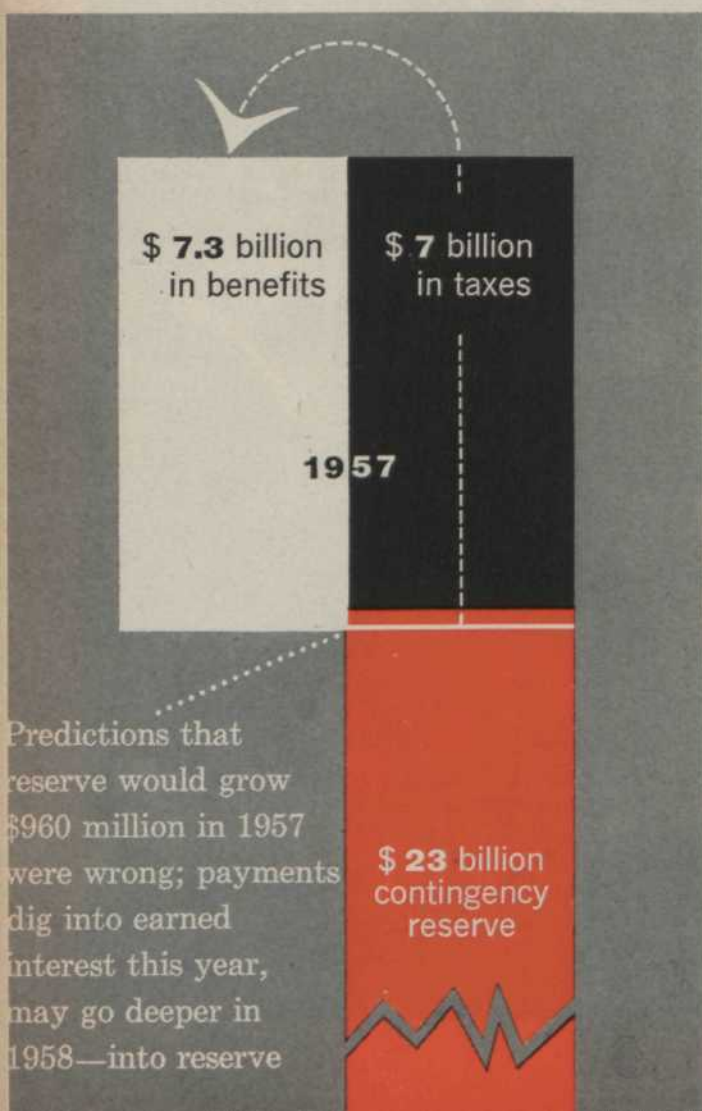
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Politics pushes **SOCIAL SECURITY TAX BOOST**

Meanwhile higher benefit payments, lower tax collections make experts take new look at their calculations



POWERFUL PRESSURES are building up for another election-year liberalization of federal social security, despite pronounced strains the program is showing as a result of liberalizations in 1954 and 1956.

Even while government and private experts are checking to determine how much trouble the social security program is really in, and before the full effects of the last two expansions have been felt, the drive to put through some additional vote-getting benefits is under way.

A key Democrat on the House Ways and Means Committee suggests frankly—although not for quotation—that Democrats may find social security liberalization an attractive political gambit next year, especially if a tight federal budget should block the general income tax reduction they so eagerly seek. Continued inflation will increase the usual pressure for benefit increases, he says. His idea is to levy social security taxes on the first \$4,800 each worker earns each year, instead of only \$4,200 as at present. This, he claims, could finance a seven per cent or eight per cent benefit boost.

Republicans have some ideas, too. Rep. Robert W. Kean of New Jersey, a member of the Ways and Means group and an influential lawmaker in the social security field, suggests higher benefit payments for widows, an increase in the maximum family benefit, payments to dependents of disabled workers, and other changes.

As an example of the type of pressure being put on Congress, the AFL-CIO has placed a top priority tag on its program to increase cash benefits an average of 10 per cent and add a costly new program of medical care for social security beneficiaries. The labor group would finance this package by a one per cent tax increase and by expanding the taxable yearly income from \$4,200 all the way to \$6,000.

Officials of the Department of Health, Education and Welfare say they have no plans to propose social security changes next year. But a key Administration figure, noting familiar election year stirrings in this field, declares: "If the pressures in Congress grow, we may be forced to recommend a moderate liberalization to head off far greater changes."

If history is any guide, the Administration experts had better begin getting their proposal together, because congressional pressures can be expected to mount as the 1958 elections draw nearer. Congress has made major increases in social security benefits every election year since 1948—sometimes with executive backing and sometimes against executive opposition. In 1950, 1952, 1954 and 1956, coverage was extended and benefits raised with clockwork regularity.

Even some of the most determined liberalizers, however, see an ominous cloud on the horizon. In recent months, the Federal Old Age, Survivors and Disability Insurance Benefits system—to give social security its proper name—has been showing a few unexpected cracks.

Benefit payments have been running far higher than expected earlier. Tax collections have been a little smaller than expected. As a result, the system is now spending part of its interest income, and it will be forced to dip into its contingency reserve a couple of years ahead of schedule. While the government experts say this is no cause for panic, they admit that these facts are causing them to review their calculations.

Right now, some 73 million workers are covered by



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PUSHES TAX BOOST

continued

the OASI system—just about every major group except doctors and most federal employees. A covered worker and his employer each pay a tax of $2\frac{1}{4}$ per cent on the first \$4,200 of the worker's annual earnings. In 1960 this tax increases to $2\frac{3}{4}$ per cent, in 1965 to $3\frac{1}{4}$ per cent, in 1970 to $3\frac{3}{4}$ per cent, and in 1975 to $4\frac{1}{4}$ per cent. These figures include a special one quarter per cent annual tax to finance a new program of benefits to permanently and totally disabled workers. Self-employed persons pay a tax now of $3\frac{3}{8}$ per cent and this will climb gradually to $6\frac{3}{8}$ per cent in 1975 and later.

The number of people drawing benefits and the dollar amount of benefits payments has also been growing steadily. Right now, close to 10 million people are drawing about \$650 million a month in benefits—an average monthly benefit of about \$66. The benefits range, depending on the past earnings of the workers and on the size of the family and the ages of its members, from a minimum of \$30 a month to a maximum of \$200 a month for the widow and two children of a worker who had been earning the maximum

amount of covered earnings practically all his working life. The maximum benefit for a single retired worker is \$108.50 a month; the maximum monthly benefit for a retired worker and his dependent over-65 wife is \$162.80.

Current concern over the soundness of the system as well as proposals to expand it focus attention on the present financial situation of the system and its future outlook. Here is an analysis:

Last year—calendar 1956—taxes paid into the fund amounted to \$6.2 billion, \$500 million more than the \$5.7 billion paid out in benefits. Interest earned on the almost \$23 billion contingency reserve accumulated from previous years brought in \$530 million, while administrative costs drained off \$130 million. This situation wasn't too far off the original predictions, though the original estimates did count on some \$300 million more of tax collections.

This year, additional income from the new disability insurance tax will bring total collections to \$7 billion. But new expenses resulting from disability payments, the earlier retirement of women and other benefit changes of recent years will jump the outlays in benefits to \$7.3 billion. Thus for the first time since the fund began, tax income for a

Upward pressures

Democrat suggests



7 to 8 per cent boost by taxing first \$4,800 of workers' pay

Republican considers



Higher benefit payments to widows, families of disabled

AFL-CIO wants



10 per cent rise in cash benefits, new medical plan

Administration says: "If the pressures in Congress grow, we may be forced to recommend a moderate liberalization to head off far greater changes"



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PUSHES TAX BOOST

continued

particular year will fall behind benefit outlays. The \$300 million of excess benefit costs this year will have to come out of the \$550 million in earned interest. After administration costs of \$150 million are deducted, the net growth in the fund this year will be only about \$100 million.

These figures, alarming in themselves, become even more alarming when contrasted to the original predictions for calendar 1957. Fifteen months ago, government social security experts in the Bureau of OASI said contributions this year would exceed benefit payments by \$511 million; counting interest earnings and subtracting administration expenses, the fund would grow by \$960 million. Benefit payments were not expected to exceed tax collections in any year before 1959.

For calendar 1958, just about the same picture is presented. Tax collections are now expected to total somewhat more than \$7.1 billion with benefit payments reaching close to \$7.7 billion. Interest earnings of about \$600 million and administrative expenses of about \$150 million would mean a deficit for the year—even after all the interest was applied to benefit payments and administrative expenses—of more than \$100 million, although officials of the system say they have hopes of achieving a closer balance and perhaps even ending up slightly in the black. The original predictions, however, were that in 1958 the fund would grow by \$585 million.

In 1959, benefit payments will be almost \$1 billion more than tax collections, with the fund going clearly into the red by as much as \$600 million. The experts now expect benefit payments in that year to reach \$8.2 billion, with tax collections of only \$7.2 billion. Interest income will be less than \$600 million and administrative costs more than \$150 million.

Earlier estimates called for benefits to exceed tax collections for the first time in 1959, but for interest payments to keep the total operation in the black by about \$250 million.

Thus tax collections plus interest income will fall below the total of benefit payments and administrative expenses possibly in 1958 and definitely in 1959.

In 1960 relief is scheduled to come in the form of an automatic one per cent tax increase. The additional \$1.75 billion this is expected to bring in will put operations back into the black, for a time at least.

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PUSHES TAX BOOST

continued

ent trend is due mainly to these three factors:

1. Farmers brought under social security in 1954 got "quickie" coverage. They were permitted to pay taxes for just 18 months and then, if 65 or over, retire on full benefits. Many old farmers quickly paid up their taxes and retired, putting a heavy demand on the system. By June 30, 1957, some 375,000 farmers had filed applications for benefits—far more than originally expected. Ironically, another government program—the soil bank—spurred many of these retirements.

2. Women, given the right in 1956 to retire earlier than 65 on reduced benefit payments, have been doing this in unexpectedly large numbers.

3. Tax collections, for some unknown reason, are falling slightly below expectations.

Social security officials insist there's no cause for alarm. Secretary Marion B. Folsom of the Department of Health, Education and Welfare says the public must learn to take a long-range look at the program and not a month-to-month look or even a year-to-year one. On a long-range basis the system is still in fine shape, he asserts.

"The system is working out just about as expected, except that the (benefit-tax) lines are crossing a year or two earlier than expected," says another official. "Over the life of the system, this is not significant."

The Social Security Administration's top actuary, Robert J. Myers, also declares that just because some of the short-range estimates are off, the long-range estimates need not also be off.

He points out that just a one per cent fluctuation can change the picture considerably on a year-to-year basis, when amounts are so large, but that over the long range, these fluctuations could balance out.

"No one of these factors would in itself be noticeable," he states. "The thing is that right now they and others are all operating in the same direction."

Mr. Myers says the farmer situation is the sort of thing that always happens when coverage is extended to a new group of workers. It makes the fund look bad for a few years, but turns out to be rather unimportant when considered over 30 or 40 years. As for the women, Mr. Myers declares that in order to get benefits at an earlier age, they must

agree to take a smaller benefit each year, and so this should even out over a period of years. The drop in collections, he says, could easily be due to a lag in reporting or some difference in the way the Treasury credits the money to the social security account.

The earlier-than-anticipated dipping into the interest income and into the fund itself doesn't worry the government officials either. That's what the fund was set up for, they say.

They explain that the founders expected benefit payments to rise steadily as the number of aged grew and as a larger proportion of aged became eligible for benefits. That's why the law provides for rising tax rates, they say.

They also argue that the founders realized that benefit payments would eventually exceed current tax collections, and counted on interest and the principal of the fund to make up the difference. The tax was higher than needed in early years specifically to build up a large fund that would provide interest income and a reserve for later drains, the argument goes.

Particularly was it expected, they state, that there would come a time when benefit payments would exceed tax collections for the year or two preceding each tax increase, with the set-up swinging back into the black following the tax increase. Over the long run, the theory is, the trend is steadily up until the fund is so large that the interest income makes up the deficit between current collections and current payments.

HEW experts insist there is no need at the moment for any new tax increases over and above those provided in present law.

Many private experts say that the benefit liberalizations of recent years have stopped the build-up of the reserve fund far short of the desirable amount and that this spells major



trouble for the system in later years. They think that to cover its obligations the fund should now be anywhere from \$40 billion to \$200 billion, instead of \$23 billion. If the fund is dropping unexpectedly in times of unprecedented prosperity, they say, what will happen in not-so-good times when the size of the taxpaying working force drops and the number of old people retiring shoots up?

These outside experts also question how long the government can keep on boosting social security tax rates to take care of constant liberalization of benefits. It won't be many years before many workers are paying far more in social security taxes than in income taxes.

At any rate, all the recent changes in the system's income and outgo have prompted the Administration to take a new look at future estimates. Mr. Myers and his staff have set out to see why contributions are falling behind earlier predictions. They want to make a new assessment of the effects of recent law changes. They want to study an apparent trend toward earlier retirement among all workers, and the effect this will have on the system. Finally, they want to see what bearing the steady growth in the population will have. The initial impact will likely be to help out the system, since there will be more and more workers to pay taxes to support the retiring.

"It defers the day of reckoning," says one government official, "the time when we must pay out lots more than we take in. In the meantime it permits the fund to build up and gives us a chance for a much larger interest income each year."

In addition to this new look by government officials, there'll be a survey of the OASI fund by an independent group, the Advisory Council on Social Security Financing. A little-noticed provision of the 1956 Social Security law provided for this Council, representing workers, employers, self-employed and the general public. It's to study the soundness of the fund, and suggest whether still higher taxes are needed.

The Council must report by Jan. 1, 1959, to the Board of Trustees of the OASI fund, and the Board must send its recommendations to Congress by March 1, 1959, in time for Congress to act before it adjourns that year, if action is necessary. The law provides for a similar Council each five years, to report in advance of each presently scheduled tax increase.

While the experts ponder the stability of the system, Congress turns its thoughts to new liberalizations. More than 100 bills already have

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PUSHES TAX BOOST

continued

been introduced to increase benefits. Certainly the newest benefit proposal being seriously considered is the AFL-CIO's health program, embodied in a bill introduced by Rep. Aime Forand, Democrat of Rhode Island.

Under it, persons receiving old age or survivors insurance benefits would be entitled to additional health benefits to cover the cost of certain hospital, nursing home and surgical services. A beneficiary would be entitled to the full cost of all surgical care and up to 120 days a year of hospital and nursing home care, providing no more than 60 days were in a hospital.

This program would require at least an additional one half per cent payroll tax. It probably would cost

**Views differ sharply
on whether social
security is now in
real trouble**

'57-'75

NO cause for alarm, say Social Security officials. Health, Education and Welfare Secretary Folsom feels the public must take a long-range look at the system, for it's "working out... about as expected..."



YES, the reserve fund is far short of the desirable amount, opponents say, adding that this spells trouble for the system in later years. If the fund's dropping now, what will occur in truly bad times?

about \$600 million the first year, with outlays climbing sharply later.

Though it is being pushed hard by the AFL-CIO and other welfare and union groups, there is considerable resistance to it in Congress, and the chances are not too great that it will be authorized next year. However, the push for it can be expected to continue.

Interestingly enough, there is no sign yet of the expected pressure to lower the age qualification (50 years) for the disability benefit program. It had been expected that once this program was authorized for workers 50 years and over, unions and other groups would quickly push to lower or eliminate the age qualification.

Government officials say it's still too early to tell how this program is turning out financially, since it was authorized only last year and there is usually a lag between the start of a program and the time the workers actually apply for and qualify for benefits. Even the AFL-CIO is taking a wait-and-see attitude.

The pressures most likely to have some success in Congress next year are those to increase the present benefit levels and to relax the so-called earnings test. Both would be costly.

Under the earnings test, social security payments are reduced roughly dollar for dollar for amounts earned above \$1,200 a year by beneficiaries under 72. After 72, there's no reduction. Some pending proposals call for complete elimination of the earnings test; others merely propose boosting the amount that can be earned each year without reduction in benefits.

Any change in this provision will be expensive. Right now, some 2.15 million people get no benefits, or reduced benefits, because of the earnings test. Government officials figure that complete elimination of the test would cost \$1.7 billion to \$2 billion a year immediately, and more later, and would necessitate at least a one per cent tax increase. An increase in the earnings amount to \$1,500 would cost several hundred million dollars a year.

Proposed benefit increases would be expensive, too. The AFL-CIO suggests a 10 per cent average increase in benefits, with the minimum going up from \$30 to \$35 a month and the maximum from \$200 to \$305, including the expansion of the taxable wage base from the present \$4,200 to \$6,000 a year. Other benefit increases being proposed vary from this in minor ways.

A 10 per cent benefit liberalization would cost about \$730 million a year. An increase in the tax base to \$6,000, as proposed by the AFL-CIO, would

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PUSHES TAX BOOST

continued

bring in about \$1 billion a year in extra tax collections, but no one expects this big a jump to be voted. Congress never has expanded the wage base more than \$600 at a time.

One possible solution to the problem of how to increase benefits without an increase in the tax rate might be to shave down the size of the benefit increase—to seven per cent or eight per cent—and increase the tax base to \$4,800 a year. The higher tax base would bring in about \$500 million a year, almost enough to cover the benefit hike. Of course, an increase in the tax base is a tax increase, but the lawmakers somehow feel it's not as painful as a hike in the tax rate itself.

Other liberalization proposals being advanced seriously are somewhat less far reaching. A widow now gets a benefit equal to 75 per cent of what a retired worker's benefit would be; it is proposed to make this 80 per cent or more. Now a disabled worker age 50 gets benefits for himself; the suggestion is to give benefits to his dependents, too. The maximum family benefit is now \$200 for a widow and two children; there are proposals to boost this to \$300 or more for larger families.

Some lawmakers feel that workers who do not retire at 65 should get larger benefits when they eventually do retire. There are proposals to give workers one per cent or two per cent extra benefits for each year they continue working past 65. Tips are not now included in the wage base, and so waiters and other tipped workers frequently don't qualify for maximum coverage; it's proposed to include tips.

The recent trends in the social security fund and the proposals for further liberalization prompted Sen. Edward Martin of Pennsylvania, ranking Republican on the Senate Finance Committee, recently to issue a stern warning. He noted that earlier changes voted by Congress had put the OASI fund into the red several years ahead of expectations.

"Rosy predictions for the future may be equally wrong," he said.

"For that reason," he added, "we should go slowly in further expanding the benefits of this important plan of savings. In fairness to those who have paid large sums of money into social security, we must assure them that their fund will be kept financially sound."

If past election-year experience is any guide, the chances are that Congress will not heed Mr. Martin's warning.—CHARLES B. SEIB



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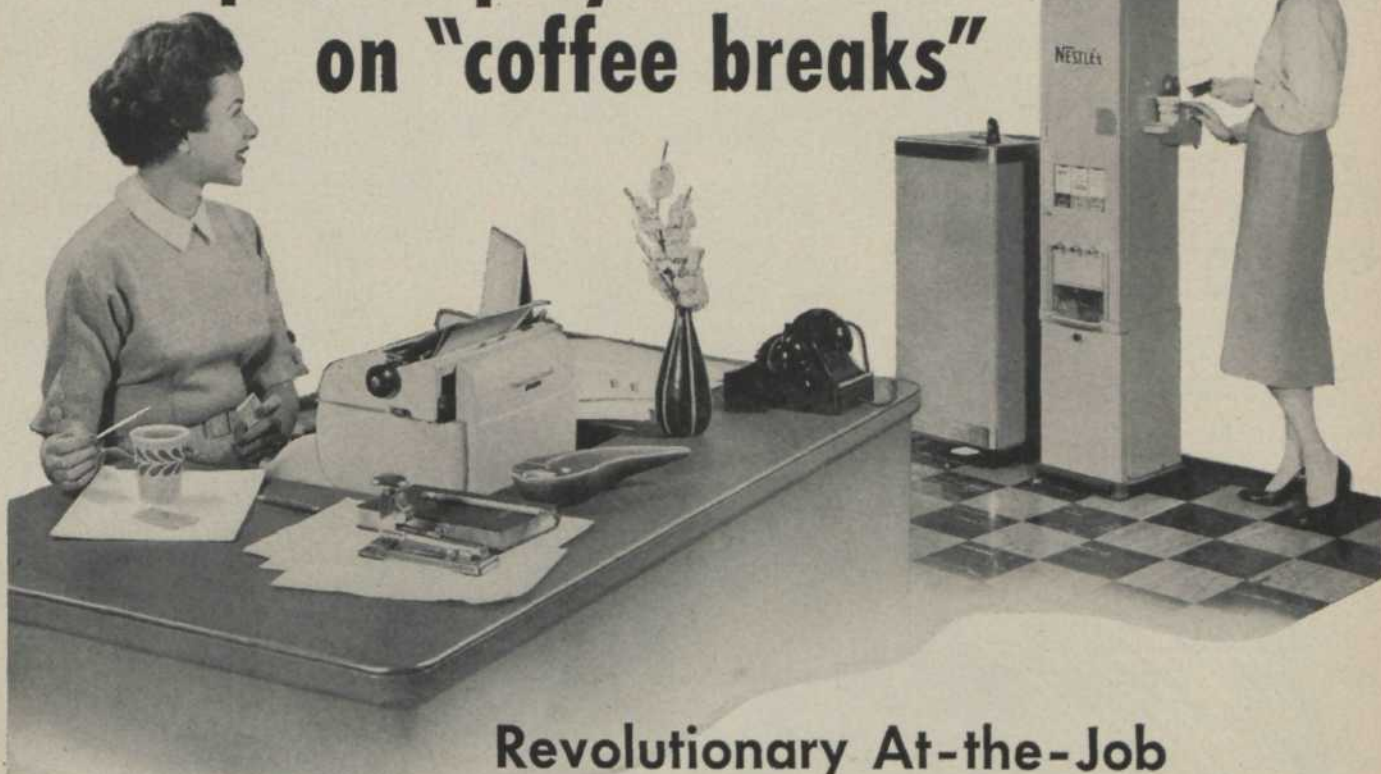
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Andrew McNally, III, President
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"The Goodyear Tire and Rubber Company became a Charter Member of the Chamber of Commerce of the United States because our management group of that day saw a great need for the type of organization that was being projected. We have continued our support and membership because the Chamber has consistently through the years measured up to its opportunities and responsibilities. We consider the National Chamber to be an indispensable, dynamic element in the modern structure of American business enterprise."

P. W. Litchfield
Chairman of the Board
The Goodyear Tire & Rubber Company, Akron, O.

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"The National Chamber has performed, and is performing, many valuable services in speaking for business, and in keeping business informed on the trends and conditions that most vitally affect operations. Receiving these services is certainly ample reward to any firm for its part in supporting the Chamber's activities."

Edwin M. Clark, President
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Stuart Wilson, President
State National Bank
P.O. Box 150, Texarkana, Ark.

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"The Chamber of Commerce of the United States since its founding has been a staunch and militant advocate of private enterprise, a philosophy that has contributed so importantly to making our nation the world's leader in business and industry. The Chamber's brilliant record of leadership in the field of business and industry makes us proud that the Northern Pacific Railway is a Charter Business Member of this dynamic organization."

R. S. MacFarlane, President
Northern Pacific
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The Chamber of Commerce of the United States serves a high purpose.

It works to protect, strengthen and improve private business, and to translate economic growth into human progress.

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CHRISTMAS 1913

It was a happy custom in that year for the boss to give his employees a Christmas turkey.

1913 was also the year that the first Travelers Group Insurance plan for company employees was born.

For a few thoughtful employers in large companies, this development marked the beginning of an even happier Christmas-giving custom.

Forty-four years pass by...



Executive Trends

Premium on personal efficiency

With the demand for increased competence—and in many cases entirely new kinds of competence—businessmen face a growing challenge to improve the use of the time available to them. (See page 70 for a report on new techniques for improving time use.) Managers will have to apply themselves to the essential elements of their jobs, eliminate the unnecessary.

A Columbia University professor who has analyzed obstacles to executive efficiency says revolutionary changes in office design will be made in the future to assist managers in boosting their productivity.

►One of the office changes will be the creation of "concentration camps." These would be areas especially set aside for executives who have work to do that requires intensive mental effort. The conventional office, with its ringing telephones, visitors, etc., is not conducive to smooth work. But in the concentration area of tomorrow's office building a manager will work in monastery-like quiet.

Managers' biggest future problem

Don G. Mitchell, chairman of the board and president of Sylvania Electric Products, Inc., says speed in decision-making will be the principal pressure on executives in tomorrow's business world. Mr. Mitchell is an outstanding authority on management trends. He says an accelerating pace of activity, plus less margin for error, will require speedier, sounder decisions by executives—decisions based on information gathered by faster means than those now in use. To gather facts faster, the future manager will rely more on electronic data processing equipment. To work with such complicated aids managers will have to be highly trained and surround themselves with highly trained men.

►Mr. Mitchell contends that there are many defects in present methods of operation (he cites production scheduling as an example) which would be fatal in tomorrow's world. To reduce the hazards, some companies already are simulating production and inventory problems to identify pitfalls before they arrive. You'll hear more of the simulation technique.

How much can we learn from business abroad?

The answer to that question—being asked with increasing frequency—breaks down into two parts. As far as technology and particular technological processes are concerned, we can learn much from abroad—especially from the Europeans. As far as management is concerned, the industries of foreign countries are generally

far behind our own rate of progress. In Europe, industry is still restrictive, inflexibly organized, top-heavy with tradition, suspicious of its competitors, caste-ridden.

►The climate for a breakthrough in management training in Europe is developing, however. Young managers of European firms who have tasted the U. S. brand of management training are eager to try it out in their own industries.

Technology of Europe is a different story

Europe's technology, and particularly that of West Germany and Switzerland, is amazingly efficient and productive. Aware of this, more and more U. S. companies are studying European processes, seeking U. S. rights to some; recruiting engineers and technicians from foreign plants.

In one instance American interests absorbed an entire Swiss radio-electronics operation, staff and all. In another area, a number of U. S. firms are looking into a German technique of production control which is said to be the height of simplicity.

►Significantly, Dr. Leslie K. Gulton, president of Gulton Industries, Inc., Metuchen, N. J., said after a recent 10-week European business trip that European electronics manufacturers are ahead of their American competition in many respects, notably original research and acceptance of radically new products.

A few: ultrasonic fog dispersal systems, shock and vibration equipment.

Need for skilled managers raises global danger

The free world's front against international communism is threatened by lack of sufficient numbers of competent managers and administrators in the industries and governments of some of the less developed countries.

Realization of this is growing—particularly in the United States—and coming months will see an intensification of efforts to cultivate management know-how on a local basis in Latin America, Africa, Asia and some parts of Europe.

►Emphasis until now has been chiefly on the distribution of western technology and capital to countries emerging from years of colonial rule, severe war damage, or static backwardness. Now it's becoming clear that technology and capital are not enough. Mastery of management principles and practices is needed to give cohesion and sound direction to economic effort.

CIPM—initials you'll hear more about

The world crisis in management is pointedly described by the Council for International Progress in Management (USA), Inc., official United States representative to the International Committee for Scientific Management, roof organization for all free world national management groups. CIPM says that, although the international shortage of technicians is acute, the shortage of trained management personnel and public administrators at all levels is appalling. "Yet," the organization adds, "the continuity, creativity, and efficient productivity of enterprises stimulated by the assistance programs and their progeny depend on skilled professional management."

►The managerial shortage overseas, CIPM says, is being aggravated by the shift in industry from proprietorship to corporate enterprise and from limited markets to large-scale market systems—and by introduction of advanced power technology based on electronics, automation and atomic energy. It's a new managerial revolution—this time jumping from medieval to modern science without the classic intermediate stages of developments.



CHRISTMAS 1957

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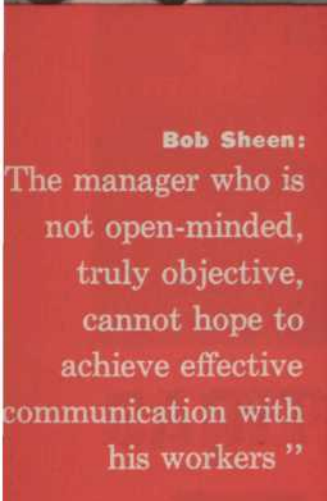


Carl Beck:

"As a direct result of my experiences in management training we have written much basic company policy"



Heads of large and small firms alike exchange ideas around the President's Roundtable. The experience proves most businesses have comparable problems



Bob Sheen:

The manager who is not open-minded, truly objective, cannot hope to achieve effective communication with his workers"



Larry Appley:

"The growing complexity of business operation, the keener competition ahead . . . point up the vital need for professional management"



IS MANAGEMENT TRAINING WORTH IT?

Businessmen who have experienced executive improvement courses say yes, tell how they were helped

WHAT ALL business needs is management competence—not preferential treatment.

That is the opinion of company presidents who attended a Presidents' Round Table conducted by the American Management Association at its training center on the campus of Colgate University in Hamilton, N. Y.

The presidents, heads of companies of widely varying size, agreed further:

► Because businesses of different sizes depend on each other, laws which penalize one type are likely to injure the others.

► Although different types of business have different advantages and different problems, their basic sameness enables executives in one field to learn much from men in others.

► All business, regardless of size or type, needs tax relief.

► The problem common to all is how to get things done through people.

Organized business training, the presidents agree, leads not only to a better understanding of the general business situation but to an understanding of self as well.

They do not regard such training as a panacea for the various aches

and pains of management. They do emphasize, however, that training programs can be a powerful aid for the individual manager when supplemented by diligent individual efforts.

Many of the executives at Hamilton admit they were skeptical of formal training when such programs first came to their attention. Some, in fact, were openly hostile.

Without exception, however, these same men found that management education—once they got it—was at the minimum a valuable exposure to useful ideas applicable in their own companies and, at the maxi-

mum, a catalyst for revolutionary improvement in their method of doing things.

A few directly attribute their organizations' growth and prosperity to principles learned.

Among these is Harvey Martin, who owns and manages Harvey's Hardware Store in Falmouth, Mass., (10 employees, \$150,000 gross).

Mr. Martin, who had never had formal business training, read an article about the AMA's management course in *NATION'S BUSINESS*, became interested and wrote for further information. This led to his enrollment in one of the sessions this year.

As a result of his training he has instituted a number of improvements in the operation of his business. Among them: job descriptions, a new budgeting system, cost controls, wider delegation of authority. He's also contemplating a training program to reduce turnover.

Mr. Martin says he found it stimulating to sit in on sessions attended principally by men from large industrial and business organizations.

The consensus of the executives at Colgate University is that management training has these values:

- It teaches the executive to understand himself.
- It teaches the executive to understand, and work more effectively with, others—his associates, his employees, his superiors, etc.
- It instructs the executive in setting goals for his organization, in improving planning and communication.

The business leaders agree that learning a specific new management technique is not in itself a guarantee of success. Rather, they hold that the greatest value of management education is its re-emphasis of basic truths which the average businessman should have learned long ago—but either didn't or has forgotten.

The executives tell story after story showing how the knowledge acquired in management training has been profitably put to work in their own organizations; how they have used the skills in activities outside their jobs (one says his mother-in-law picked up enough management know-how from him to put an old folks home of which she is a trustee on a sounder operating basis).

Because it involves such fundamentals as getting the maximum productivity out of people, plant, money and machines, management education offers wide possibilities of application in areas where its use is not now recognized—in family businesses, on farms, in labor un-

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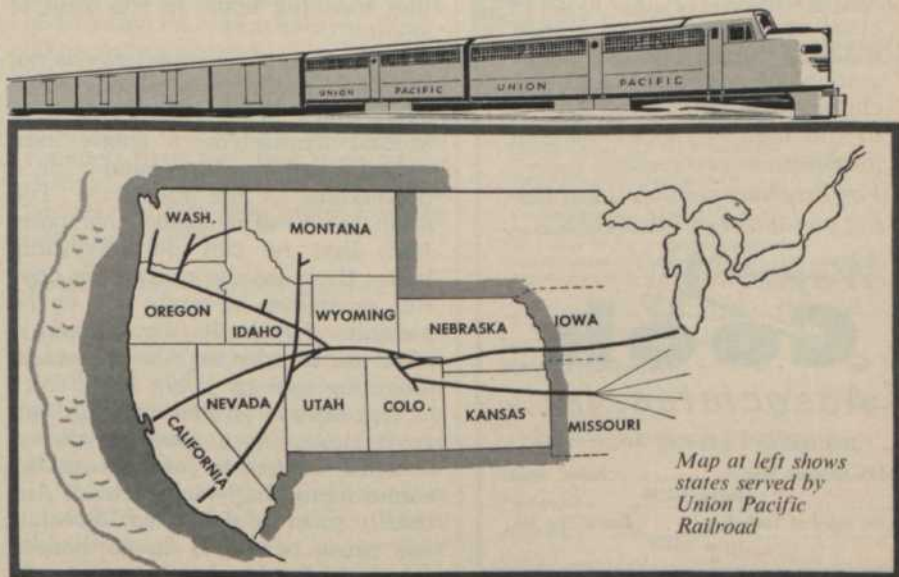
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TRAINING

continued

ions, in trade association work, in educational institutions, even in family affairs.

Self-understanding

"Self-understanding can be a shocking experience when an executive first comes face to face with it."

That's how one manager, president of a western cosmetic firm, describes his initial exposure to a course designed to show the executive-turned-student just what he is really like as an individual.

"I had been cruising along for almost 25 years in my own business," he relates. "I thought I was pretty great shakes as an organizer, planner, a leader of people. In short, a good corporate executive."

"Then a friend asked me if he could make a candid observation about my personal qualities as a businessman. I said fire away and he did."

"I was egocentric, he said, unreasonable, narrow-minded. He said I was a lot of things—most of them unflattering."

"I was stunned."

"I had built up a picture of myself as a great guy to my 200 employees, and as a man who was looked up to by the community—which indeed I was."

"My friend suggested that a management training course would help me overcome a lot of the defects which I didn't recognize in myself. I did enroll—not really believing his criticism was accurate."

"I found, through role-playing and other experiences, that I was not a democratic person; not open-minded, and certainly not the business genius I thought I was. By the time I completed the course I felt like sneaking home in the dead of night."

This executive's experience is not unusual, particularly among managers whose firms are built strongly around themselves—a single individual (usually the founder or a descendant of the founder). Too often the head of such a company feels that he can do everything better than anyone else on his payroll, or anyone he might add to the payroll. He built the company, after all, so why isn't he correct in assuming that he is big stuff?

The answer is that no man can go it alone. As a company grows, absolute control by one person becomes increasingly impractical. Authority must be delegated. Specialists must be called in to handle jobs which the head man can't

handle. In the case of the cosmetic firm president, management training led to employment of an economist to direct the firm's long-range planning, an area of noticeable weakness. Other changes resulted, too; among them—better methods of forecasting expenditures and profits, a system of job evaluation, organizational improvements, operations research. And, finally, management training for other executives on the team was begun.

Result? The firm's business is growing faster than the industry of which it is a part. Morale is on the upswing. Responsibility is being delegated, and with it the authority to make decisions. This in itself has worked some changes. An official of the organization who was characteristically timid, uncertain, lacking in initiative, has become a man of self-assurance and action.

The company's president attributes the surprising metamorphosis to the man's experience in a decision-making exercise sponsored by AMA. In the exercise, the executive was teamed with another man in playing a business war game. At the outset he followed his established pattern of holding back and letting someone else determine risks and opportunities and make the important decisions. As the game progressed the executive watched his team's position gradually deteriorate.

He thought about this between playing sessions. For the first time he began to see just how much his timidity was hurting his efficiency. The next day he began to protest decisions of his teammate. The focus of decision-making began to move toward him. In a short time the team's fortunes changed for the better, and at the end they were in a position second only to one other team playing the war game.

"I mention this to illustrate what I believe to be the essential value of the kind of management training which is available to businessmen today," the cosmetic company president explains. "To me it is the tapping of hidden powers of people through self-realization. It's as if a curtain were lifted, letting a man see for the first time what his true potentialities are."

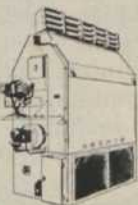
Understanding others

A man who does not understand his own drives, anxieties, problems, capabilities and shortcomings can hardly identify these same elements in others. Certainly he won't be able to establish true communications with those working for him and thus activate them to get things done effectively, efficiently, harmoniously—to the best interests of

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themselves and the group in which they work.

On this point, Robert T. Sheen, president of the Milton Roy Company, Philadelphia, makers of controlled volume pumps, says:

"The greatest value of management training is the skill it develops in dealing with people."

Mr. Sheen thinks that delegation of authority is especially crucial in learning to understand others. Too many executives refuse to delegate, he says, and this frustrates their subordinates' natural and proper desire to upgrade themselves.

The hoarding of power by a single individual in a company is tragic for at least two reasons: 1, By bottling up workers and not allowing them to develop, the organization is drying up sources of skilled manpower that may be urgently needed in the future, and, 2, the individual creative urge is stunted.

Almost as bad as no delegation, Mr. Sheen says, is half delegation. This occurs when an executive delegates authority—but with strings attached.

"I was inclined to this myself," says Mr. Sheen, "before I took management training. I used to insist on checking all the mail, looking over shoulders. Now my motto is not to do anything that someone else can do for me. A businessman, particularly a company head, has to learn to let go."

Helping develop the ability to understand others was the fact that attending the Hamilton conference were presidents of firms ranging from fewer than 50 to many thousands of employees.

Seated side by side at the table, for example, were Patrick B. McGinnis, head of the Boston & Maine Railroad (10,000 employees, \$88 million annual volume) and Carl A. Beck, president of the Charles Beck Machine Corporation of King of Prussia, Pa. (46 employees, \$500,000 yearly volume). The give and take of the sessions made it clear to both that managers of different size businesses have more problems in common than not; that even where distinctions by size do exist both parties stand to gain much from an exchange of views.

Setting organization goals

In many companies operation is geared almost wholly to day-to-day demands, with consequent shortsightedness on the long-range goals which a company should have to insure stability and growth.

Comments of the executives at Hamilton emphasize this. There was frequent reference to the dangers of running a business by the

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TRAINING

continued

seat of the pants, of not knowing where, over the long run, the company was going or should be going. Many companies cannot afford to hire specialists to handle this planning job. This makes management training more important for the people they have.

Carl Beck was an executive of the seat-of-the-pants school... until he found through management training that there is a better way.

"As a direct result of my experiences in management training we have written much basic company policy," Mr. Beck explains. "We have written hourly job descriptions, and we have improved procedures."

Mr. Beck's first step was to draft a Creed for Management to enable all the people in his firm to answer the fundamental question, "What are we trying to do?"

Within this general framework, it is necessary, of course, to make each employee clearly see what his own role is and how it contributes to the long-range objective of growth and service.

Mr. Beck has found the job descriptions most valuable in accomplishing this and, at frequent meetings with his entire staff, explains the basic lessons which he has learned through management education.

Mr. Beck believes the keys to effective management are essentially contained in these three words—objective, participation and communication.

He says objective means knowing where you are going, where you want to be at any given future time. This, obviously, connotes a need for planning—for studying market potentialities, competitive trends, all the factors which make up the body of facts on which business decisions are made. Long-range planning, in this sense, cannot be a haphazard activity. It must be delegated to responsible leadership and continually subjected to review.

Participation is Mr. Beck's definition of getting things done through people. He stresses consultative supervision, in which the aim is to have the person closest to a given problem make the necessary decisions. The supervisor simply helps to keep the man on course, counsel him, advise him. This has helped morale tremendously and has taught supervisors to listen for their subordinates' point of view.

Communication in Mr. Beck's

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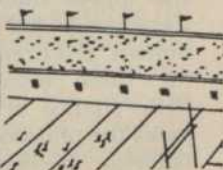
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organization is a critical activity. He operates on the premise that all communications between managers and rank and file in his organization should meet this test:

1. Is it the truth?
2. Is it fair to all concerned?
3. Will it build good will and better friendships?
4. Will it be beneficial to all concerned?

Mr. Beck feels that the more intimate relationship with employees is one of the advantages of small business. Others include greater flexibility in decision-making, and the opportunity for staff personnel to grow faster by getting a broader slice of experience.

Large companies, of necessity, demand specialization to a greater extent than the smaller firm. Yet many people don't want to be restricted too tightly in what they do, or in what they can learn to do.

The manager who is not open-minded cannot hope to achieve effective communication with his workers, Mr. Sheen says. Since action can result only after a clear transmission of ideas, communication is an indispensable activity.

Moreover, it must be two-way—up as well as down. It can't be the kind of communication which results when a manager rams a message downward into the ranks but then is not prepared to listen to the feed-back.

Another pitfall, says Mr. Sheen, is the notion that the bare fact of conveying information is enough. This is noticeable in cases where people are given supervisory responsibility without preparation, he says. "Someone goes up to a worker and says, 'All right, I'm making you shop boss—now get going.'"

Lawrence A. Appley, president of the American Management Association and the man who initiated the President's Round Table three years ago, believes that communication is an area in which a great deal more research is needed.

He believes, too, that before the executive can communicate effectively or, in fact, handle any of the other tasks of management, he must first know that he doesn't know. When a man develops the humility to admit that perhaps he doesn't know all the answers after all then he is ready to begin to learn. It's at this point that management training becomes a wise investment. **END**

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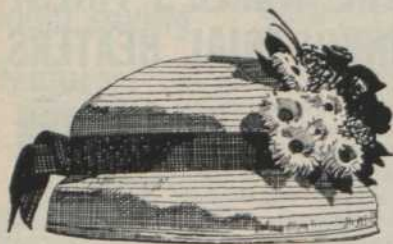
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KNOW YOURSELF

continued from page 35

found a faith in God, he looks to God for answers to his questions. He seeks to discover God's will, strives to be humble and to glorify God. He extols love, and believes the important thing about a man is his soul. The personal idealist looks to the mind for his answers; he has faith in reasoning as a method of establishing values. To him, the important thing about a man is his mind. Either type of idealist says, "as a man thinks, so he is."

► **The pragmatist** looks to transactions between people and their environment for his answers to questions. He says that experience, and all the possible things, ideas, people and the situations that go to make up experience, is reality. He is concerned with change, because truth is relative and changing, and because new meanings emerge from new experiences. He glorifies society and extols cooperativeness. The important thing about a man is that he is a part of a group. The pragmatist says, "As a man acts, so he is." He seeks the explanation of a person or thing or idea by examining it in its total context. He establishes values by determining what he believes is best for society.

People are seldom purely any one of the categories. There are many who talk like idealists, while everything they do conforms to the behavior pattern of realists. And these situations can bring about stress and conflict within the individual which serve as a basis for indecision, doubt, and vacillation.

If man's basic assumptions can serve functionally as directing conceptions to give identifiable behavior trends, serious study needs to be given them. There are enormously important problems that beg for practical applications of this knowledge in industry today. Consider the organizational and human relations problems that may develop in a company where, for example:

- **The president is an idealist.** He admires men of principle, has idealistic goals for his company and feels it should contribute significantly to the advancement of mankind. It should be a company with a heart, and a symbol of right thinking and right doing. He encourages his management and employees alike to participate in community, church and civic activities.
- **The vice president of manufacturing is a realist.** He judges men largely by their production and by profit performance, regardless of

their principles. He is impatient with do-gooders, and he is a champion of rugged individualism.

- **The plant manager is a pragmatist.** He uses a committee approach to running the factory, even though it may take a little longer to get things done than by direct order. He is concerned with maintaining harmony in the plant as a method of ultimately getting top production and performance.

Here is a very real basis for numerous conflicts of personalities, clashes about policies, and confusion over practices. To the casual observer, the causes remain concealed because they are embedded so deeply in basic assumptions. Any action designed to solve problems arising from such conditions would be futile unless these basic factors are recognized and reckoned with. A human relations training program for these management men has little chance of success if it overlooks the philosophical factors in the behavior of these men, or fails to make them aware of those factors.

When the previously described three executives recognize the nature and importance of their own and others' basic assumptions, they will be in a position substantially to reduce friction in, and improve the effectiveness of, the organization. For example:

The president, if he understood that his basic assumptions are not acceptable to, and are in contrast with those of his vice president, would quit trying to convert his subordinate to his way of thinking. He might explain company contributions of time and talent to welfare, educational and religious institutions in, perhaps, a public relations frame of reference consistent with the vice president's philosophy—not simply to make him feel better, but to promote smoother interpersonal relations and to eliminate hostile feelings that only disrupt executive productivity and interfere with the real work at hand. He would be better able to adjust differences in management methods between a very effective vice president and a very capable plant manager by helping each man to understand and recognize the strong points of each other's approach.

The vice president of manufacturing should gain an appreciation of his superior's measurements of value and show his respect for it by relating company policy and practice, that he wishes to institute, to the president's philosophy. He should learn that his own decision-making habits, even though the majority of them had previously been successful, could be improved

by a pragmatic approach. Instead of yes or no decisions based on observed facts, he might make greater use of trial runs to get an indication of results before making a final decision. Though he was formerly inclined to view each department as a relatively separate unit, and to deal with each department head on an individual basis and hold each strictly accountable for results in the functions for which each was responsible, he might now make more serious attempts to weld his staff and line people into an integrated, cooperating team.

The plant manager should acquire a better perspective of the different approaches of the president and vice president and the underlying causes of disharmony between the two. He would find better ways to interpret his management of the plant and his administrative methods to both of these men—in terms of their concepts, not his own. He could stress what he is doing in terms of results to the vice president, and minimize emphasis on his methods. He might begin to communicate his purposes explicitly to his subordinates, so they in turn would be more inclined to cooperate in desirable objectives, even if their personal philosophical concepts differed from his.

That the philosophy of man has much to do with the way he carries on his work can be illustrated, using the staff job of the training director as an example.

The realist training director may say "Give a man the right information, and the person will almost automatically improve his performance." He favors lectures with appropriate visual aids. His training consists of lively, highly informational presentations.

The idealist may feel that a number of other things besides giving information must be done to obtain good training results. "You must inspire the mind," he might say, "and get right mental attitudes to reinforce the knowledge. There must be a proper stimulation and channeling of the mind toward worth-while goals." To do this, he appeals to internal, mentalistic elements, like will or reason, and the private heart-to-heart talks that stimulate them. Practice problem-solving is believed to be good mental exercise, so case studies are favored and ideal answers are drilled into the mind. He is disposed to say, "Well, all there is to good human relations is to follow the Golden Rule."

The pragmatist will be inclined to use group methods of training to obtain participation and learning.

Role-playing, assignments to committees, and brainstorming are his favorite training methods. He is prone to experiment, to try out new ideas and judge them by the results they produce.

The solving of problems is highly influenced by the executive's basic philosophy, because the content of a decision is often determined by the way it is made.

The idealist, for example, tends to rely on his hunches and intuition. He will not refuse to look at the facts, but having done so he likes to play the thing by ear. He believes the mind is capable of reasoning through problems and coming up with the ideal answer. Of course, this applies only to what he may call the better, or competent, minds; and, if he has experienced successes with this approach, he includes his own in this category.

The realist tends to want all the facts, statistics, reports and research in each phase of the problem

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in considerable detail. He believes if you can get all the facts and break down the problem into parts for analytical study, the solution will be pretty obvious—the facts will speak for themselves.

The pragmatist tends to see the problem in a dynamic frame of reference and seeks to learn how it is related to other problems and situations. He is aware of new problems emerging from the original one. He takes into account the interactions of humans and things, which are involved both at present and in the future, and plans to provide for them. In the actual problem-solving process, he uses group approaches, because he believes the total strategy can best be accomplished as members of the group interact on each other to sound out the problem completely, to develop solutions creatively, and to take action cooperatively.

So, basic assumptions are operative both in the selection of methods of executing a job and in the decision-making process, but the executive is too often completely unaware of what influenced his choices.

In working to improve human relationships among management people, development specialists have long known some of the things needed by executives to work more effectively with others. Two things vital to executive maintenance of good human relations are:

1. To be aware of their own motivations and the real causes of their own behavior.
2. To be aware of, sensitive to, and responsive to the motivations, feelings, and needs of others.

A knowledge and understanding of the philosophies of man, and of their own personal philosophies, will help management people achieve these insights and, in addition, help them better predict how others will act in a given situation.

It is important today to re-evaluate and redefine managerial philosophy, if we want practices and purposes to keep pace with mankind's surges toward a nobler society. But managerial philosophy has its roots in basic assumptions as the tree has its roots in soil, and this is seldom mentioned in discussions of business philosophy. The possibility that certain kinds of managerial philosophy cannot spring from certain kinds of basic assumptions, just as certain varieties of trees cannot flourish in certain kinds of soils, should not be overlooked.

Much research needs to be accom-

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plished to develop these concepts into useful tools for the management practitioner. Questions have been raised as to whether an executive can be neurotic, or prejudiced, or autocratic in his style of leadership, but his behavior in any one of these might take different directions depending on his basic assumptions. If this is established, these basic assumptions may have not only a component of direction, but also one of intensity that ultimately would render them susceptible to measurement, perhaps through instruments similar to Dr. Martin Levit's R.I.P. test, which preceded this article.

—JAMES H. MORRISON

Training Program Planner

Western Auto Supply Company

R.I.P. TEST

Scoring and interpretation

Realist	Idealist	Pragmatist
1-b	1-a	1-c
2-a	2-b	2-c
3-b	3-c	3-a
4-a	4-b	4-c
5-c	5-a	5-b
6-b	6-c	6-a
7-b	7-c	7-a
8-a	8-b	8-c
9-c	9-b	9-a
10-b	10-a	10-c
11-c	11-a	11-b
12-a	12-c	12-b
13-b	13-a	13-c
14-c	14-b	14-a
15-a	15-c	15-b
16-c	16-b	16-a
17-a	17-b	17-c
18-b	18-c	18-a

Your
total
answers

About 12 or more answers in any one category (R, I or P) probably indicates the dominant general tendency of your thought. The larger the number of answers in one heading, the more consistent you are. Most people are somewhat mixed (realist-idealist and idealist-pragmatist are common combinations). Questions 1, 2, 3, 13 and 17 in the test have to do with your general philosophy of life; questions 4, 5, 6, 8 and 12 with how you know what to do in business; questions 10, 11, 13, 15, 16 and 18 concern cause-effect relations; questions 7, 9 and 14 concern human traits and abilities.

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THE TOWN WAS IN AN UPROAR

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When the argument was at its height, the Chamber of Commerce decided a little more light and a little less heat on the subject were needed. We got together our Education Committee to co-ordinate with and advise the School Board. We hired a hall and held meetings to get the facts. We discussed the town's future and heard the proponents for rebuilding the school to meet our future needs. We also heard the proponents for duplicating the old school in its original pattern.

A decision was reached. The local Chamber had started the ball rolling and saw to it that it kept rolling until the job was done.

It is on just such problems that your local Chamber of Commerce can help devise a worth-while solution. But to be of maximum usefulness, the C. of C. needs the support of you and every other businessman, merchant and professional man. So join us. Support us with your time and effort. And as you help the community, so too you will help yourself.

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Speaking for
your local Chamber of Commerce



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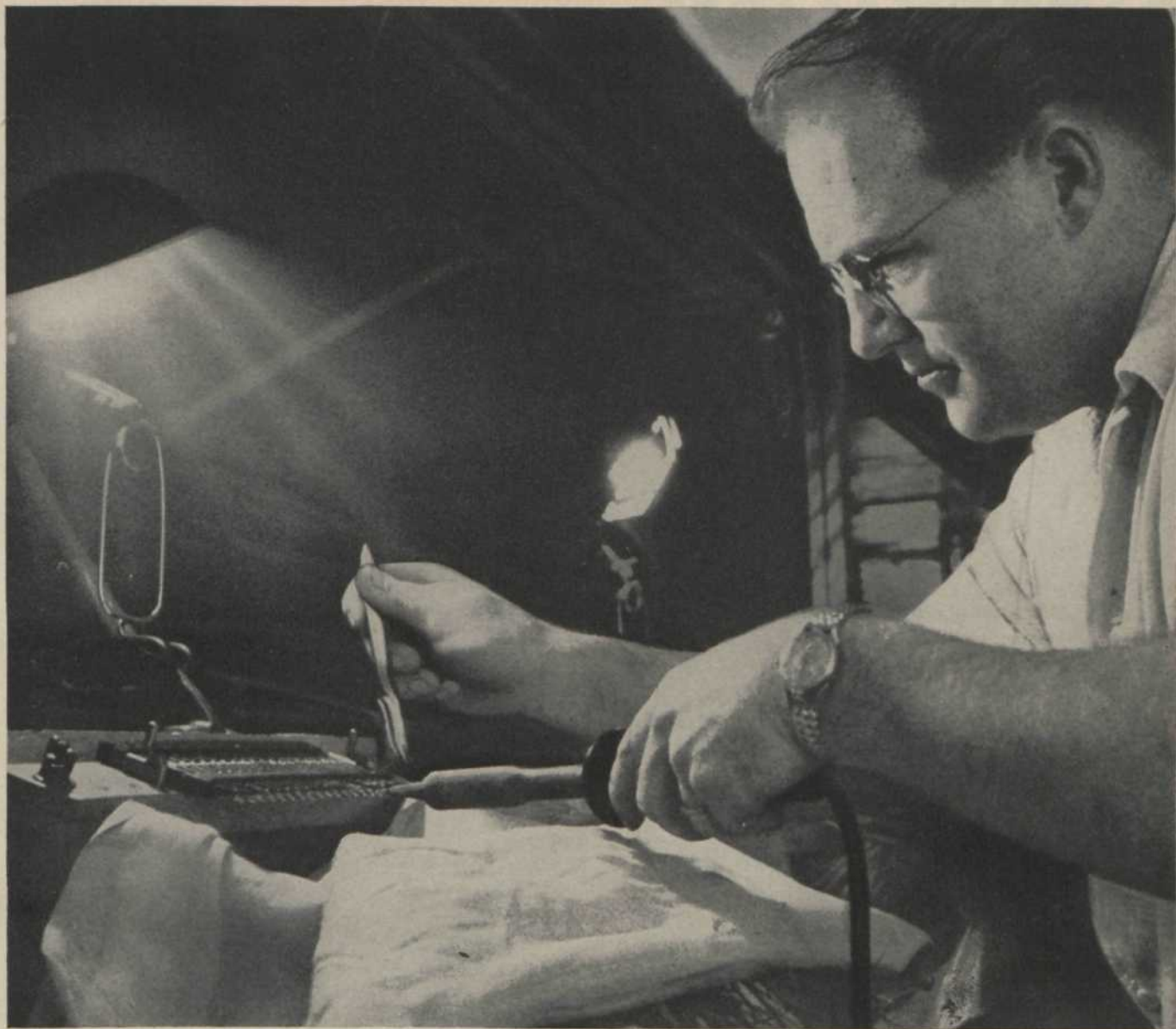
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ADVERTISERS IN THIS ISSUE • November 1957

	PAGE
Acco Products, Inc.	120
La Porte & Austin, New York	
Addressograph-Multigraph Corp.	102, 103
Griswold-Eshleman, Cleveland	
Aetna Life Affiliated Companies.....	96
Wm. B. Remington, Springfield	
Air Express, Division of	
Railway Express Agency.....	53, 54, 55
Burke Dowling Adams, New York	
Aluminum Company of America..	4th cover
Ketchum, MacLeod & Grove, Pittsburgh	
American Appraisal Company.....	17
Buchen Company, Chicago	
American Credit Indemnity Company..	56
VanSant, Dugdale, Baltimore	
American Tel. & Tel. Co. (LL).....	1
N. W. Ayer, Philadelphia	
American Writing Paper Corp.	100
Fairfax, Inc., New York	
Armco Drainage & Metal Products, Inc.	101
N. W. Ayer, Philadelphia	
Bay West Paper Company.....	120
Klaus-Van Pietersom-Dunlap, Milwaukee	
Bruning, Charles, Company.....	79
H. W. Kastor, Chicago	
Burroughs Corp.	98, 116, 117
Campbell-Ewald, Detroit	
Butler Manufacturing Company.....	50
Aubrey, Finlay, Marley & Hodgson, Chicago	
Cast Iron Pipe Research Association....	6
H. B. Humphrey, Alley & Richards, New York	
Celanese Corporation of America.....	99
Ellington & Company, New York	
Chamber of Commerce of the U. S.	106, 107
Chamber of Commerce of the U. S.	119
Gray & Rogers, Philadelphia	
Chesapeake & Ohio Railway.....	92, 93
Robert Conahay, New York	
Cook, Wayne, Associates.....	112
Auld Advertising, Dallas	
Corry-Jamestown Manufacturing Corp. .	87
W. S. Walker, Pittsburgh	
Dodge, F. W., Corp.	14
G. M. Basford, New York	
Eastman Kodak Company.....	47
J. Walter Thompson, New York	
Elco Manufacturing Company.....	97
Geyer Advertising, Dayton	
Equitable Life Assurance Society.....	4, 5
Kenyon & Eckhardt, New York	
Executone, Inc.	12
Joseph Katz, New York	
Exercycle Corp.	15
Wilbur and Clang, New York	
Fairchild Engine & Airplane Corp. .	18, 19
Gaynor, Colman, Prentiss & Varley, New York	
General Electric Company.....	57
G. M. Basford, New York	
General Floorcraft, Inc.	118
Posner-Zabin, New York	
Gray Manufacturing Company.....	24
Levin, Williams & Saylor, New York	
Hardware Mutuals.....	20
Roche, Williams & Cleary, Chicago	
Harter Corp.	90
Lampert, Fox, Prell & Dolk, South Bend	
Hartford Fire Insurance Company Group	61
Marshaik & Pratt, New York	
Hill, R. O. H., Inc.	118
Buckley Organization, Philadelphia	
Home Insurance Company.....	81
Albert Frank-Guenther Law, New York	
Indiana Desk Company.....	114
Keller-Crescent, Evansville	
Indiana, State of.....	63
Mark Gross, Indianapolis	
Insurance Company of North America..	23
N. W. Ayer, Philadelphia	
Insurance Service Association.....	84, 85
Botsford, Constantine & Gardner, Portland	
Inter-Continental Trading Corp.	114
La Porte & Austin, New York	
International Swimming Pool Corp.	52
Wilson, Haight, Welch & Grover, New York	
International Tel. & Tel. Corp.	89
J. M. Mathes, New York	
Iowa Development Commission.....	118
W. D. Lyon, Cedar Rapids	
Lincoln National Life Insurance Company	48
Maxon, Inc., Detroit	
Listo Pencil Corp.	118
Cunningham & Walsh, San Francisco	
Majestic Wax Company.....	104
Walter L. Schump, Denver	
Marsh Stencil Machine Company.....	115
Roman Advertising, St. Louis	
Master Mechanic Manufacturing Co.	101
Airman Advertising, Burlington	
Missouri Pacific Lines.....	46
D'Arcy Advertising, St. Louis	
Mittag & Volger, Inc.,	
Div. of Burroughs Corp.	95
Campbell-Ewald, Detroit	
Monroe Calculating Machine Company.	83
L. H. Hartman, New York	
Moore Business Forms, Inc.	13
N. W. Ayer, Philadelphia	
Mutual Life Insurance Co. of New York	75
Benton & Bowles, New York	
National Blank Book Company.....	82
Sutherland-Abbott, Boston	
National Gypsum Company.....	51
Batten, Barton, Durstine & Osborn, New York	
National State Bank of Newark.....	98
Williams and London, Newark	
Nestle Company, Inc.	105
Dancer-Fitzgerald-Sample, New York	
New England Mutual Life Insurance Co.	115
Batten, Barton, Durstine & Osborn, Boston	
New York Life Insurance Company....	68
Compton Advertising, New York	
New York Stock Exchange.....	66
Calkins & Holden, New York	
Oakleigh Farms.....	86
Noble-Dury, Nashville	
Old Town Corp.	113
La Porte & Austin, New York	
Onan, D. W., & Sons, Inc.	118
Graves & Associates, Minneapolis	
Pitney-Bowes, Inc.	49
L. E. McGiverna, New York	
Pratt-Daniel Corp.	115
Pearsall & Schaal, East Norwalk	
Quantity Photos, Inc.	118
Sylvan Pasternak, Los Angeles	
Railway Express Agency.....	11
Benton & Bowles, New York	
Recordak Corp.	91
J. Walter Thompson, New York	
Reznor Manufacturing Company.....	113
Kight Advertising, Columbus	
Rhode Island Development Council....	90
Bo Bernstein, Providence	
Richfield Oil Corp.	65
Hizson & Jorgensen, Los Angeles	
Robbins, B. Ray, Company.....	104
Ben B. Bliss, New York	
Schieffelin & Company.....	64, 88, 100
Donahue & Coe, New York	
Shaw-Barton, Inc.	115
Bayless-Kerr, Cleveland	
Shwayder Brothers, Inc.	3rd cover
Grey Advertising, New York	
Sire Plan Portfolios, Inc.	101
Harold Miller, New York	
Smith-Corona, Inc.	10
Cunningham & Walsh, New York	
Steiner Sales Company.....	114
Harry F. Port, Chicago	
Stran-Steel Corp.	113
Campbell-Ewald, Detroit	
Texas Company.....	28
G. M. Basford, New York	
Tiffany Stand Company.....	104
Padco Advertising, St. Louis	
Time, Inc.	76, 77
Young & Rubicam, New York	
Travelers Insurance Company.....	27, 108, 109
Young & Rubicam, New York	
Tropical Paint Company.....	114
Fred M. Randall, Detroit	
Union Carbide Corp.	2nd cover
J. M. Mathes, New York	
Union Pacific Railroad.....	111
Caples Company, Chicago	
Victor Adding Machine Company.....	69
John W. Shaw, Chicago	
Vogel-Peterson Company.....	90
Ross Llewellyn, Chicago	
Washington, State of.....	86
How. J. Ryan & Son, Seattle	
Wellington Sears Company.....	16
Ellington & Company, New York	
Western Electric Company.....	121
Cunningham & Walsh, New York	
Westinghouse Electric Corp. (Lamp Div.)	73
McCann-Erickson, New York	
Wisconsin Alumni Research Foundation	86
Arthur Towell, Madison	
Wood Office Furniture Institute.....	67
Henry J. Kaufman, Washington	



Symbol

We rather like this photo of our Floyd Conn . . . we think it's symbolic.

Here Floyd, who is a Western Electric installer, is soldering telephone cable in a new Bell central office . . . helping install dial switching equipment made at our factories. And the connection he makes symbolizes the close bond that exists between ourselves and Bell telephone communities—including yours — through telephone service.

Each month, Western Electric installers are busy on about 4,000 separate jobs in over 500 cities and towns across the country . . . making additions, modifying equipment, changing manual switching equipment to dial service — to mention a few. By working closely with Bell telephone companies — as we have now for 75 years as the manufacturing and supply unit of the Bell System — we become part of the community's Bell telephone service.

Western Electric



MANUFACTURING AND SUPPLY

UNIT OF THE BELL SYSTEM

PATERNALISM POINTS IN NEW DIRECTION

CONGRESS, at its next session, may authorize the government to determine which hospitals or doctors care for its older citizens. The bill carrying this authority has already been introduced. It is called a bill to amend the Social Security Act.

Amending the Social Security Act in an election year has become a congressional tradition. The theory seems to be that dipping deeper into workers' pockets now with a hedged promise to repay the money later will somehow win votes.

A nonpolitical mind follows such thinking with difficulty. But anyone can see how, with social security as with other government excursions into fields best reserved for private action, new reasons are discovered or invented to expand the original purposes, authority and costs.

As conceived in 1935, social security was a way to put a floor of protection under those who because of age were no longer able to support themselves by working. Careful measures were set up to assure that only those who met this definition would receive benefits. Sixty-five years was set as the minimum age at which benefits would be paid. Ability to work was to be measured by earned income. A person more than 65 who could earn \$1,200 a year on a job was regarded as able to work.

Benefits were purposely small so that the system would not corrupt the worker's propensity for thrift. Retirement income is still primarily the responsibility of the individual. Social security's only aim was to protect the aged from actual want.

This was a worthy purpose. Whether the Act as originally passed would have fulfilled it was debatable then and is beside the point now.

Over the years taxes on employes and employers, as well as the base salary on which they are collected, have been increased until today payments range from

a minimum \$30 to a maximum of \$217 for a man and wife if both have worked until retirement age. Whatever the minimum necessary to prevent actual want may be, it seems unreasonable to suppose that it can be both these figures.

Now before Congress is a bill which would increase present taxes on worker and employer from $2\frac{1}{4}$ to $2\frac{3}{4}$ per cent and collect this tax on the first \$6,000 of pay rather than on the present \$4,200. This will cost the \$6,000 worker and his employer an additional \$70 each year. Self-employed persons making \$6,000 who are now taxed $3\frac{3}{8}$ per cent of pay would pay $4\frac{1}{8}$ per cent, roughly an additional \$105 more each year. In spite of these increases, minimum benefits, which quite likely go to those who most need protection against want, will increase only from \$30 to \$35 a month. Those aged couples who qualify for the maximum benefits would receive \$303.60 monthly.

Nobody begrudges an aged couple such a retirement income. But it is obvious that a government agency paying such benefits has moved away from its announced purposes of putting a floor under want.

Social security now may be required to move even further afield and into a highly expensive field.

The bill before Congress would require social security to pay hospital, surgical and medical expenses for those getting social security benefits or entitled to them (persons 65 earning \$1,200 a year, for instance, are entitled to benefits though not getting them). This includes some 12 million persons now and the number is growing.

Backers of the bill hastily point out that the person needing treatment will get it from the hospital or doctor of his choice—but the bill states that he will be required to use a hospital which has entered into an agreement with the government as to what its costs shall be.

The route this opens up is not hard to follow: pressure to force into the plan hospitals which do not enter voluntarily; rising hospital costs to those under 65 as government tries to hold down its costs for treatment to the retired; demands that the age limit for government-financed treatment be lowered—as age limits for women have already been lowered under social security.

So, what began 22 years ago as a simple bulwark against want among the aged now becomes a foot-in-the-door for socialized medicine.

And it has become a thought-provoking example for those who would ask for just a little government aid, for only a little while, to get them over a temporary economic hump.

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At right (from left to right): Men's Journeyer for packing three suits—wrinkle free; Quick Tripper, ideal for weekends or short business trips; new Executive Overnight case for business papers, clothing and essentials.

Samsonite Ultralite



Journeyer, \$39.50 Quick Tripper, \$27.50 Exec. Overnight, \$25



Excellent, uniform lighting increases efficiency at the new Safeway Stores distribution center in Kansas City. Interior is coated with reflective Tnemec Aluminum Paint, made by Tnemec Co., Inc., North Kansas City, Mo.

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